

106TH CONGRESS
1ST SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. PORTMAN (for himself, Mr. CARDIN, Mrs. JOHNSON of Connecticut, Mr. HOUGHTON, Mr. LEWIS of Georgia, Mr. WELLER, Mr. TANNER, Mr. BLUNT, Mr. BOEHNER, Mr. POMEROY, Mr. BENTSEN, Mr. KOLBE, Mrs. MORELLA, and Mr. NUSSLE) introduced the following bill; which was referred to the Committee on _____

A BILL

To provide for pension reform, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**
4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Comprehensive Retirement Security and Pension Reform
7 Act”.

8 (b) AMENDMENT OF 1986 CODE.—Except as other-
9 wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment
2 to, or repeal of, a section or other provision, the reference
3 shall be considered to be made to a section or other provi-
4 sion of the Internal Revenue Code of 1986.

5 (c) TABLE OF CONTENTS.—The table of contents for
6 this Act is as follows:

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—EXPANDING COVERAGE

- Sec. 101. Restoration of limits formerly in effect.
- Sec. 102. Plan loans for subchapter S owners, partners, and sole proprietors.
- Sec. 103. Salary reduction only simple plans.
- Sec. 104. Modification of top-heavy rules.
- Sec. 105. Elective deferrals not taken into account for purposes of limits.
- Sec. 106. Reduced PBGC premium for new plans of small employers.
- Sec. 107. Phase-in of additional premium for new plans.
- Sec. 108. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.
- Sec. 109. Elimination of user fee for requests to IRS regarding pension plans.
- Sec. 110. Alternative method of meeting nondiscrimination requirements for automatic contribution trust.
- Sec. 111. Deduction limits.
- Sec. 112. Option to treat elective deferrals as after-tax contributions.
- Sec. 113. Credit for pension plan startup costs of small employers.

TITLE II—ENHANCING FAIRNESS FOR WOMEN AND CHILDREN

- Sec. 201. Additional salary reduction catch-up contributions.
- Sec. 202. Equitable treatment for contributions of employees to defined contribution plans.
- Sec. 203. Faster vesting of certain employer matching contributions.
- Sec. 204. Deferred annuities for surviving spouses of Federal employees.
- Sec. 205. Simplify and update the minimum distribution rules.
- Sec. 206. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
- Sec. 207. Percentage limitations on contributions.
- Sec. 208. Eligible rollover distributions.
- Sec. 209. Immediate participation in the Thrift Savings Plan.

TITLE III—INCREASING PORTABILITY FOR PARTICIPANTS

- Sec. 301. Rollovers allowed among various types of plans.
- Sec. 302. Rollovers of IRAs into workplace retirement plans.
- Sec. 303. Rollovers of after-tax contributions.
- Sec. 304. Treatment of forms of distribution.
- Sec. 305. Rationalization of restrictions on distributions.
- Sec. 306. Purchase of service credit in governmental defined benefit plans.
- Sec. 307. Employers may disregard rollovers for purposes of cash-out amounts.

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TITLE IV—STRENGTHENING PENSION SECURITY AND
ENFORCEMENT

- Sec. 401. Repeal of 150 percent of current liability funding limit.
- Sec. 402. Missing participants.
- Sec. 403. Periodic pension benefits statements.
- Sec. 404. Civil penalties for breach of fiduciary responsibility.
- Sec. 405. Penalty tax relief for sound pension funding.
- Sec. 406. Protection of investment of employee contributions to 401(k) plans.
- Sec. 407. Notice of significant reduction in benefit accruals.

TITLE V—REDUCING REGULATORY BURDENS

- Sec. 501. Intermediate sanctions for inadvertent failures.
- Sec. 502. Repeal of the multiple use test.
- Sec. 503. Safety valve from mechanical rules.
- Sec. 504. Reform of the line of business rules.
- Sec. 505. Coverage test flexibility.
- Sec. 506. Increase in retirement plan cash-out amount.
- Sec. 507. Modification of timing of plan valuations.
- Sec. 508. Section 457 inapplicable to certain mirror plans.
- Sec. 509. Substantial owner benefits in terminated plans.
- Sec. 510. ESOP dividends may be reinvested without loss of dividend deduction.
- Sec. 511. Modification of 403(b) exclusion allowance to conform to 415 modification.
- Sec. 512. Treatment of multiemployer plans under section 415.
- Sec. 513. Elimination of partial termination rules for multiemployer plans.
- Sec. 514. Notice and consent period regarding distributions.
- Sec. 515. Conforming amendments relating to election to receive taxable cash compensation in lieu of nontaxable parking benefits.
- Sec. 516. Extension to international organizations of moratorium on application of certain nondiscrimination rules applicable to State and local plans.
- Sec. 517. Employees of tax-exempt entities.
- Sec. 518. Permissive aggregation of collective bargaining units.
- Sec. 519. Repeal of transition rule relating to certain highly compensated employees.
- Sec. 520. Clarification of treatment of employer-provided retirement advice.
- Sec. 521. Annual report dissemination.
- Sec. 522. Excess benefit plans.
- Sec. 523. Benefit suspension notice.
- Sec. 524. Provisions relating to plan amendments.
- Sec. 525. Reporting simplification.
- Sec. 526. Model plans for small businesses.

1 **TITLE I—EXPANDING COVERAGE**2 **SEC. 101. RESTORATION OF LIMITS FORMERLY IN EFFECT.**3 (a) **DEFINED BENEFIT PLANS.—**

- 4 (1) **DOLLAR LIMIT.**—(A) Subparagraph (A) of
- 5 section 415(b)(1) (relating to limitation for defined

1 benefit plans) is amended by striking “\$90,000” and
2 inserting “\$180,000”.

3 (B) Subparagraphs (C) and (D) of section
4 415(b)(2) are each amended by striking “\$90,000”
5 each place it appears in the headings and the text
6 and inserting “\$180,000”.

7 (C) Paragraph (7) of section 415(b) (relating to
8 benefits under certain collectively bargained plans) is
9 amended by striking “the greater of \$68,212 or one-
10 half the amount otherwise applicable for such year
11 under paragraph (1)(A) for ‘\$90,000’” and insert-
12 ing “one-half the amount otherwise applicable for
13 such year under paragraph (1)(A) for ‘\$180,000’”.

14 (2) LIMIT REDUCED WHEN BENEFIT BEGINS
15 BEFORE AGE 62.—Subparagraph (C) of section
16 415(b)(2) is amended by striking “the social security
17 retirement age” each place it appears in the heading
18 and text and inserting “age 62”.

19 (3) LIMIT INCREASED WHEN BENEFIT BEGINS
20 AFTER AGE 65.—Subparagraph (D) of section
21 415(b)(2) is amended by striking “the social security
22 retirement age” each place it appears in the heading
23 and text and inserting “age 65”.

24 (4) MULTIEMPLOYER PLANS AND PLANS MAIN-
25 TAINED BY GOVERNMENTS AND TAX EXEMPT ORGA-

1 NIZATIONS.—Subparagraph (F) of section 415(b)(2)
2 is amended to read as follows:

3 “(F) MULTIEMPLOYER PLANS AND PLANS
4 MAINTAINED BY GOVERNMENTS AND TAX EX-
5 EMPT ORGANIZATIONS.—

6 “(i) IN GENERAL.—In the case of a
7 governmental plan (within the meaning of
8 section 414(d)), a plan maintained by an
9 organization (other than a governmental
10 unit) exempt from tax under this subtitle,
11 a multiemployer plan (as defined in section
12 414(f)), or a qualified merchant marine
13 plan, subparagraph (C) shall be applied as
14 if the last sentence thereof read as follows:
15 ‘The reduction under this subparagraph
16 shall not reduce the limitation of para-
17 graph (1)(A) below (i) \$130,000 if the
18 benefit begins at or after age 55, or (ii) if
19 the benefit begins before age 55, the equiv-
20 alent of the \$130,000 limitation for age
21 55.’

22 “(ii) DEFINITIONS.—For purposes of
23 this subparagraph—

24 “(I) QUALIFIED MERCHANT MA-
25 RINE PLAN.—The term ‘qualified mer-

1 chant marine plan' means a plan in
2 existence on January 1, 1986, the
3 participants in which are merchant
4 marine officers holding licenses issued
5 by the Secretary of Transportation
6 under title 46, United States Code.

7 “(II) EXEMPT ORGANIZATION
8 PLAN COVERING 50 PERCENT OF ITS
9 EMPLOYEES.—A plan shall be treated
10 as a plan maintained by an organiza-
11 tion (other than a governmental unit)
12 exempt from tax under this subtitle if
13 at least 50 percent of the employees
14 benefiting under the plan are employ-
15 ees of an organization (other than a
16 governmental unit) exempt from tax
17 under this subtitle. If less than 50
18 percent of the employees benefiting
19 under a plan are employees of an or-
20 ganization (other than a governmental
21 unit) exempt from tax under this sub-
22 title, the plan shall be treated as a
23 plan maintained by an organization
24 (other than a governmental unit) ex-
25 empt from tax under this subtitle only

1 with respect to employees of such an
2 organization.”.

3 (5) COST-OF-LIVING ADJUSTMENTS.—Sub-
4 section (d) of section 415 (related to cost-of-living
5 adjustments) is amended—

6 (A) in paragraph (1)(A) by striking
7 “\$90,000” and inserting “\$180,000”, and

8 (B) in paragraph (3)(A)—

9 (i) by striking “\$90,000” in the head-
10 ing and inserting “\$180,000”, and

11 (ii) by striking “October 1, 1986” and
12 inserting “July 1, 1999”.

13 (b) DEFINED CONTRIBUTION PLANS.—

14 (1) DOLLAR LIMIT.—Subparagraph (A) of sec-
15 tion 415(c)(1) (relating to limitation for defined con-
16 tribution plans) is amended by striking “\$30,000”
17 and inserting “\$45,000”.

18 (2) COST-OF-LIVING ADJUSTMENTS.—Sub-
19 section (d) of section 415 (related to cost-of-living
20 adjustments) is amended—

21 (A) in paragraph (1)(C) by striking
22 “\$30,000” and inserting “\$45,000”, and

23 (B) in paragraph (3)(D)—

24 (i) by striking “\$30,000” in the head-
25 ing and inserting “\$45,000”, and

1 (ii) by striking “October 1, 1993” and
2 inserting “July 1, 1999”.

3 (c) QUALIFIED TRUSTS.—

4 (1) COMPENSATION LIMIT.—Sections
5 401(a)(17), 404(l), 408(k), and 505(b)(7) are each
6 amended by striking “\$150,000” each place it ap-
7 pears and inserting “\$235,000”.

8 (2) BASE PERIOD AND ROUNDING OF COST-OF-
9 LIVING ADJUSTMENT.—Subparagraph (B) of section
10 401(a)(17) is amended—

11 (A) by striking “October 1, 1993” and in-
12 serting “July 1, 1999”, and

13 (B) by striking “\$10,000” both places it
14 appears and inserting “\$5,000”.

15 (d) ELECTIVE DEFERRALS.—

16 (1) IN GENERAL.—Paragraphs (1) and (5) of
17 section 402(g) (relating to limitation on exclusion
18 for elective deferrals) are each amended by striking
19 “\$7,000” and inserting “\$15,000”.

20 (2) CONFORMING AMENDMENTS.—

21 (A) Section 402(g) (relating to limitation
22 on exclusion for elective deferrals), as amended
23 by paragraph (1), is further amended by strik-
24 ing paragraph (4) and redesignating para-

1 graphs (5), (6), (7), (8), and (9) as paragraphs
2 (4), (5), (6), (7), and (8), respectively.

3 (B) Clause (iii) of section 501(c)(18)(D) is
4 amended by striking “(other than paragraph
5 (4) thereof)”.

6 (e) DEFERRED COMPENSATION PLANS OF STATE
7 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
8 ZATIONS.—Section 457 (relating to deferred compensation
9 plans of State and local governments and tax-exempt orga-
10 nizations) is amended—

11 (1) in subsections (b)(2)(A), (c)(1), and (e)(15)
12 by striking “\$7,500” each place it appears and in-
13 serting “\$15,000”,

14 (2) in subsection (b)(3)(A) by striking
15 “\$15,000” and inserting “\$30,000”, and

16 (3) in subsection (e)(15)—

17 (A) by inserting “and the \$30,000 amount
18 specified in subsection (b)(3)(A)” after
19 “(c)(1)”, and

20 (B) by striking “September 30, 1994” and
21 inserting “September 30, 1999”.

22 (f) SIMPLE RETIREMENT ACCOUNTS.—

23 (1) LIMITATION.—Sections 408(p)(2)(A)(ii),
24 408(p)(2)(E), 401(k)(11)(B)(i)(I), and

1 401(k)(11)(E) are each amended by striking
2 “\$6,000” and inserting “\$10,000”.

3 (2) BASE PERIOD FOR COST-OF-LIVING ADJUST-
4 MENT.—Subparagraph (E) of section 408(p)(2) is
5 amended by striking “September 30, 1996” and in-
6 serting “September 30, 1999”.

7 (g) COST-OF-LIVING ADJUSTMENTS.—

8 (1) PLANS MAINTAINED BY GOVERNMENTS AND
9 TAX EXEMPT ORGANIZATIONS.—Paragraph (1) of
10 section 415(d) (as amended by subsection (b)) is
11 amended by striking “and” at the end of subpara-
12 graph (B), by redesignating subparagraph (C) as
13 subparagraph (D), and by inserting after subpara-
14 graph (B) the following new subparagraph:

15 “(C) the \$130,000 amount in subsection
16 (b)(2)(F), and”.

17 (2) BASE PERIOD.—Paragraph (3) of section
18 415(d) (as amended by subsection (b)) is further
19 amended by redesignating subparagraph (D) as sub-
20 paragraph (E) and by inserting after subparagraph
21 (C) the following new subparagraph:

22 “(D) \$130,000 AMOUNT.—The base period
23 taken into account for purposes of paragraph
24 (1)(C) is the calendar quarter beginning July 1,
25 1999.”.

1 (3) ROUNDING RULE RELATING TO DEFINED
2 BENEFIT PLANS AND DEFINED CONTRIBUTION
3 PLANS.—Paragraph (4) of section 415(d) is amend-
4 ed to read as follows:

5 “(4) ROUNDING.—

6 “(A) \$180,000 AMOUNT.—Any increase
7 under subparagraph (A) of paragraph (1) which
8 is not a multiple of \$5,000 shall be rounded to
9 the next lowest multiple of \$5,000.

10 “(B) \$130,000 AND \$45,000 AMOUNTS.—
11 Any increase under subparagraph (C) or (D) of
12 paragraph (1) which is not a multiple of \$1,000
13 shall be rounded to the next lowest multiple of
14 \$1,000.”.

15 (4) CONFORMING AMENDMENT.—Subparagraph
16 (D) of section 415(d)(3) (as amended by paragraph
17 (2)) is amended by striking “paragraph (1)(C)” and
18 inserting “paragraph (1)(D)”.

19 (h) INCREASE IN AMOUNT OF DEDUCTIBLE IRA
20 CONTRIBUTIONS.—

21 (1) INCREASE IN MAXIMUM AMOUNT OF DEDUC-
22 TION.—Subparagraph (A) of section 219(b)(1) (re-
23 lating to maximum amount of deduction) is amended
24 by striking “\$2,000” and inserting “\$5,000”.

25 (2) CONFORMING AMENDMENTS.—

1 (A) Subsections (a)(1), (b)(2), (j), and
2 (p)(8) of section 408 are each amended by
3 striking “\$2,000” each place it appears and in-
4 serting “\$5,000”.

5 (B) Clause (i) of section 408(o)(2)(B) is
6 amended by inserting “the lesser of \$2,000, or”
7 after “means”.

8 (C) Paragraph (2) of section 408A(c) is
9 amended by inserting “the lesser of \$2,000, or”
10 after “shall not exceed”.

11 (D) Subparagraph (B) of section
12 4973(b)(1) is amended by inserting “(or in the
13 case of a nondeductible individual retirement
14 plan, the amount allowable as a contribution
15 under section 408(o))” after “contributions,”.

16 (i) EFFECTIVE DATE.—

17 (1) IN GENERAL.—The amendments made by
18 this section shall apply to years beginning after De-
19 cember 31, 1999.

20 (2) COLLECTIVE BARGAINING AGREEMENTS.—

21 In the case of a plan maintained pursuant to 1 or
22 more collective bargaining agreements between em-
23 ployee representatives and 1 or more employers rati-
24 fied by the date of enactment of this Act, the
25 amendments made by this section shall not apply to

1 contributions or benefits pursuant to any such
2 agreement for years beginning before the earlier
3 of—

4 (A) the later of—

5 (i) the date on which the last of such
6 collective bargaining agreements termi-
7 nates (determined without regard to any
8 extension thereof on or after such date of
9 enactment), or

10 (ii) January 1, 2000, or

11 (B) January 1, 2004.

12 **SEC. 102. PLAN LOANS FOR SUBCHAPTER S OWNERS, PART-**
13 **NERS, AND SOLE PROPRIETORS.**

14 (a) AMENDMENT TO 1986 CODE.—Subsection (f) of
15 section 4975 (relating to other definitions and special
16 rules) is amended by striking paragraph (6).

17 (b) AMENDMENTS TO ERISA.—

18 (1) Section 408 of the Employee Retirement In-
19 come Security Act of 1974 (29 U.S.C. 1108) is
20 amended—

21 (A) by striking subsection (d); and

22 (B) by redesignating subsections (e) and
23 (f) as subsections (d) and (e), respectively.

1 (2) Section 407(b)(3)(B) of such Act (29
2 U.S.C. 1107(b)(3)(B)) is amended by striking “sec-
3 tion 408(e)” and inserting “section 408(d)”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall take effect on the date of enactment of
6 this Act.

7 **SEC. 103. SALARY REDUCTION ONLY SIMPLE PLANS.**

8 (a) SIMPLE RETIREMENT ACCOUNTS.—

9 (1) IN GENERAL.—Paragraph (2) of section
10 408(p) (as amended by section 101(f)) is further
11 amended—

12 (A) by redesignating subparagraphs (C),
13 (D), and (E) as subparagraphs (D), (E), and
14 (F), respectively; and

15 (B) by inserting after subparagraph (B)
16 the following:

17 “(C) EMPLOYER MAY ELECT SALARY RE-
18 DUCTION ONLY ARRANGEMENT.—

19 “(i) IN GENERAL.—An employer shall
20 be treated as meeting the requirements of
21 subparagraph (A)(iii) for any year if, in
22 lieu of the contributions described in such
23 subparagraph, the employer elects to limit
24 the amount which an employee may elect
25 under subparagraph (A)(i) to a total of

1 \$5,000 for the year. If an employer makes
2 an election under this subparagraph for
3 any year, the employer shall notify employ-
4 ees of such election within a reasonable pe-
5 riod of time before the 60-day period for
6 such year under paragraph (5)(C).

7 “(ii) EXCEPTION.—This subpara-
8 graph shall not apply to an employer if
9 such employer (or any predecessor em-
10 ployer) maintained another qualified plan
11 (as defined in subparagraph (D)(ii)) with
12 respect to which contributions were made,
13 or benefits were accrued, for service during
14 the year in which the arrangement de-
15 scribed in clause (i) became effective or ei-
16 ther of the 2 preceding years. If only indi-
17 viduals other than employees described in
18 subparagraph (A) of section 410(b)(3) are
19 eligible to participate in the arrangement
20 described in clause (i), then the preceding
21 sentence shall be applied without regard to
22 any qualified plan in which only employees
23 so described are eligible to participate.”.

24 (2) SPECIAL RULE FOR ACQUISITIONS, DISPOS-
25 ITIONS, AND SIMILAR TRANSACTIONS.—Subpara-

1 graph (B) of section 408(p)(10) is amended by
2 striking “and” at the end of clause (ii), by striking
3 the period at the end of clause (iii) and inserting “;
4 and”, and by inserting after clause (iii) the follow-
5 ing:

6 “(iv) the requirement under para-
7 graph (2)(C) that the employer not have
8 maintained another qualified plan de-
9 scribed therein.”.

10 (3) COST-OF-LIVING ADJUSTMENT.—Subpara-
11 graph (F) of section 408(p)(2) (as so redesignated)
12 is amended by inserting “and the \$5,000 amount
13 under subparagraph (C)” after “subparagraph
14 (A)(ii)”.

15 (4) COORDINATION WITH MAXIMUM LIMITA-
16 TION.—Paragraph (8) of section 408(p) (relating to
17 coordination with maximum limitation under sub-
18 section (a)) is amended by striking “paragraph
19 (2)(A)(ii) of this subsection” and inserting “sub-
20 paragraph (A)(ii) or (C) of paragraph (2) of this
21 subsection, whichever is applicable,”.

22 (5) CONFORMING AMENDMENT.—Clause (ii) of
23 section 408(p)(10)(B) is amended by striking “para-
24 graph (2)(D)” and inserting “paragraph (2)(E)”.

1 (b) ADOPTION OF SIMPLE PLAN TO MEET NON-
2 DISCRIMINATION TESTS.—

3 (1) SIMPLE PLAN.—Subparagraph (B) of sec-
4 tion 401(k)(11) is amended by redesignating clause
5 (iii) as clause (iv) and by inserting after clause (ii)
6 the following new clause:

7 “(iii) EMPLOYER MAY ELECT SALARY
8 REDUCTION ONLY ARRANGEMENT.—

9 “(I) IN GENERAL.—An employer
10 shall be treated as meeting the re-
11 quirements of clause (i)(II) for any
12 year if, in lieu of the contributions de-
13 scribed in such clause, the employer
14 elects to limit the amount which an
15 employee may elect under clause (i) to
16 a total of \$5,000 for the year. If an
17 employer makes an election under this
18 clause for any year, the employer shall
19 notify employees of such election with-
20 in a reasonable period of time before
21 the 60-day period for such year under
22 clause (iv)(II).

23 “(II) EXCEPTION.—This clause
24 shall not apply to an employer if such
25 employer (or any predecessor em-

1 ployer) maintained another qualified
2 plan (as defined in section
3 408(p)(2)(D)(ii)) with respect to
4 which contributions were made, or
5 benefits were accrued, for service dur-
6 ing the year in which the arrangement
7 described in subclause (I) became ef-
8 fective or either of the 2 preceding
9 years. This subclause shall not apply
10 if such contributions or benefits were
11 solely on behalf of employees who are
12 not eligible to participate in the ar-
13 rangement described in subclause
14 (I).”.

15 (2) COST-OF-LIVING ADJUSTMENT.—Subpara-
16 graph (E) of section 401(k)(11) is amended by in-
17 serting “and the \$5,000 amount under subpara-
18 graph (B)(iii)” after “subparagraph (B)(i)(I)”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to years beginning after December
21 31, 1999.

22 **SEC. 104. MODIFICATION OF TOP-HEAVY RULES.**

23 (a) REPEAL OF FAMILY AGGREGATION RULES.—
24 Section 416(i)(1)(B)(i)(I) (defining 5-percent owner) is

1 amended by inserting “(without regard to subsection
2 (a)(1) thereof)” after “section 318”.

3 (b) SIMPLIFICATION OF DEFINITION OF KEY EM-
4 PLOYEE.—

5 (1) IN GENERAL.—Section 416(i)(1)(A) (defin-
6 ing key employee) is amended—

7 (A) by striking “or any of the 4 preceding
8 plan years” in the matter preceding clause (i),

9 (B) by striking clause (i) and inserting the
10 following:

11 “(i) an officer of the employer who
12 has compensation from the employer of
13 more than \$150,000,”

14 (C) by striking clause (ii) and redesignat-
15 ing clauses (iii) and (iv) as clauses (ii) and (iii),
16 respectively, and

17 (D) by striking the second sentence in the
18 matter following clause (iii), as redesignated by
19 subparagraph (C).

20 (2) CONFORMING AMENDMENT.—Section
21 416(i)(1)(B)(iii) is amended by striking “and sub-
22 paragraph (A)(ii)”.

23 (c) EMPLOYEE ELECTIVE CONTRIBUTIONS TO PLAN
24 NOT TAKEN INTO ACCOUNT.—

1 (1) DEFINITION OF TOP-HEAVY PLAN.—Section
2 416(g)(4) (relating to other special rules) is amend-
3 ed by adding at the end the following:

4 “(H) EMPLOYEE ELECTIVE CONTRIBU-
5 TIONS TO PLAN NOT TAKEN INTO ACCOUNT.—
6 At the election of the employer, any employee
7 elective contribution described in section
8 415(c)(3)(D) to a plan (and earnings allocable
9 thereto) shall not be taken into account for pur-
10 poses of determining whether a plan is a top-
11 heavy plan (or whether any aggregation group
12 which includes such plan is a top-heavy
13 group).”.

14 (2) DEFINITION OF COMPENSATION.—Section
15 416(i)(1)(D) (defining compensation) is amended to
16 read as follows:

17 “(D) COMPENSATION.—

18 “(i) IN GENERAL.—For purposes of
19 this paragraph, except as provided in
20 clause (ii), the term ‘compensation’ has the
21 meaning given such term by section
22 414(q)(4).

23 “(ii) EMPLOYEE ELECTIVE CONTRIBU-
24 TIONS TO PLAN NOT TAKEN INTO AC-
25 COUNT.—At the election of the employer,

1 any employee elective contribution de-
2 scribed in section 415(c)(3)(D) to a plan
3 shall not be taken into account for pur-
4 poses of determining compensation.”.

5 (d) MATCHING CONTRIBUTIONS TAKEN INTO AC-
6 COUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—
7 Section 416(c)(2)(A) (relating to defined contribution
8 plans) is amended by adding at the end the following:
9 “Employer matching contributions (as defined in section
10 401(m)(4)(A)) shall be taken into account for purposes
11 of this subparagraph.”.

12 (e) REQUIREMENTS FOR QUALIFICATIONS.—Clause
13 (ii) of section 401(a)(10)(B) (relating to requirements for
14 qualifications for top-heavy plans) is amended by adding
15 at the end the following new flush sentence:

16 “The preceding sentence shall not apply to
17 a plan if the plan is not top-heavy and if
18 it is not reasonable to expect that the plan
19 will become top-heavy.”.

20 (f) DISTRIBUTIONS DURING LAST YEAR BEFORE
21 DETERMINATION DATE TAKEN INTO ACCOUNT.—Section
22 416(g) is amended—

23 (1) in paragraph (3)—

1 (A) by striking “LAST 5 YEARS” in the
2 heading and inserting “LAST YEAR BEFORE DE-
3 TERMINATION DATE”, and

4 (B) in the matter following subparagraph
5 (B), by striking “5-year period” and inserting
6 “1-year period”, and
7 (2) in paragraph (4)(E)—

8 (A) by striking “LAST 5 YEARS” in the
9 heading and inserting “LAST YEAR BEFORE DE-
10 TERMINATION DATE”, and

11 (B) by striking “5-year period” and insert-
12 ing “1-year period”.

13 (g) DEFINITION OF TOP-HEAVY PLANS.—

14 (1) EXCLUSION OF CERTAIN PLANS FROM DEFINI-
15 TION OF TOP-HEAVY PLAN.—Paragraph (4) of sec-
16 tion 416(d) (relating to other special rules for top-
17 heavy plans) is amended by adding at the end the
18 following new subparagraphs:

19 “(H) CASH OR DEFERRED ARRANGEMENTS
20 USING ALTERNATIVE METHODS OF MEETING
21 NONDISCRIMINATION REQUIREMENTS.—The
22 term ‘top-heavy plan’ shall not include a cash
23 or deferred arrangement to the extent that such
24 arrangement meets the requirements of section
25 401(k)(12). This subparagraph shall also apply

1 to contributions that are not required to satisfy
2 the requirements of section 401(k)(12) but are
3 consistent with the purposes of such section, as
4 permitted under regulations which the Sec-
5 retary shall prescribe. Nothing in this subpara-
6 graph shall preclude an employer from taking
7 into account contributions made under the cash
8 or deferred arrangement when determining
9 whether any plan of such employer satisfies the
10 requirements of this section.

11 “(I) DEFINED CONTRIBUTION PLANS
12 USING ALTERNATIVE METHODS OF MEETING
13 NONDISCRIMINATION REQUIREMENTS.—The
14 term ‘top-heavy plan’ shall not include a de-
15 fined contribution plan to the extent that such
16 plan meets the requirements of section
17 401(m)(11). This subparagraph shall also apply
18 to contributions that are not required to satisfy
19 the requirements of section 401(m)(11) but are
20 consistent with the purposes of such section, as
21 permitted under regulations which the Sec-
22 retary shall prescribe. Nothing in this subpara-
23 graph shall preclude an employer from taking
24 into account contributions made under the de-
25 fined contribution plan when determining

1 whether any plan of such employer satisfies the
2 requirements of this section.”.

3 (2) AGGREGATION GROUP NOT REQUIRED TO
4 INCLUDE CERTAIN PLANS.—Clause (i) of section
5 416(g)(2)(A) of such Code (relating to required ag-
6 gregation) is amended by adding at the end the fol-
7 lowing new flush sentence:

8 “Such term shall not include a plan or ar-
9 rangement described in subparagraph (H)
10 or (I) of paragraph (4).”.

11 (h) ELECTIVE DEFERRALS NOT TAKEN INTO AC-
12 COUNT.—Clause (i) of section 416(c)(2)(B) (relating to
13 special rule where maximum contribution less than 3 per-
14 cent) is amended by inserting “(other than elective defer-
15 rals (as defined in section 402(g)(3)))” after “contribu-
16 tions”.

17 (i) FROZEN PLAN EXEMPT FROM MINIMUM BENE-
18 FIT REQUIREMENT.—Subparagraph (C) of section
19 416(c)(1) (relating to defined benefit plans) is amended—

20 (1) in clause (i) by striking “clause (ii)” and in-
21 serting “clause (ii) or (iii)”, and

22 (2) by adding at the end the following:

23 “(iii) For purposes of determining an
24 employee’s years of service with the em-
25 ployer, any service with the employer shall

1 be disregarded to the extent that such
2 service occurs during a plan year when no
3 employee or former employee benefits
4 under the plan within the meaning of sec-
5 tion 410(b).”.

6 (j) ALTERNATIVE 60 PERCENT.—Subsection (g) of
7 section 416 (relating to top heavy plan defined) is amend-
8 ed by adding at the end the following:

9 “(5) ALTERNATIVE 60 PERCENT TEST.—

10 “(A) IN GENERAL.—For any plan year, an
11 employer may elect for this paragraph to apply
12 to all plans maintained by such employer. If
13 this paragraph applies to a plan, the term ‘top-
14 heavy plan’ shall have the meaning set forth in
15 subparagraph (B) and the term ‘top-heavy
16 group’ shall have the meaning set forth in sub-
17 paragraph (C).

18 “(B) TOP-HEAVY PLAN DEFINED.—In the
19 case of any plan to which this paragraph ap-
20 plies, the term ‘top-heavy plan’ means, with re-
21 spect to any plan year—

22 “(i) any defined benefit plan if, for
23 the plan year ending on the determination
24 date, the present value of the accruals for
25 key employees exceeds 60 percent of the

1 present value of the accruals for all em-
2 ployees, and

3 “(ii) any defined contribution plan if,
4 for the plan year ending on the determina-
5 tion date, the annual additions for key em-
6 ployees exceed 60 percent of the annual
7 additions for all employees.

8 “(C) TOP-HEAVY GROUP.—In the case of
9 any plan to which this paragraph applies, the
10 term ‘top-heavy group’ means any aggregation
11 group if—

12 “(i) the sum, for the plan year ending
13 on the determination date, of—

14 “(I) the present value of the ac-
15 cruals for key employees under all de-
16 fined benefit plans included in such
17 group, and

18 “(II) the aggregate of the annual
19 additions of key employees under all
20 defined contribution plans included in
21 such group,

22 “(ii) exceeds 60 percent of a similar
23 sum determined for all employees.

24 “(D) ANNUAL ADDITION.—For purposes of
25 this paragraph, the term ‘annual addition’ shall

1 have the same meaning as when used in section
2 415(c)(2) (without regard to section 415(l) or
3 section 419A(d)(2)).

4 “(E) CERTAIN RULES NOT TO APPLY.—
5 Paragraphs (3) and (4) (other than subpara-
6 graphs (B), (C), (D), (E), and (G) of para-
7 graph (4)) shall not apply for purposes of this
8 paragraph.”.

9 (k) CONFORMING AMENDMENTS.—

10 (1) Subparagraph (A) of section 416(g)(1) is
11 amended by striking “subparagraph (B)” and insert-
12 ing “subparagraph (B) and paragraph (5)”.

13 (2) Subparagraph (B) of section 416(g)(2) is
14 amended by striking “The term” and inserting “Ex-
15 cept as provided in paragraph (5), the term”.

16 (3) Subparagraph (A) of section 415(b)(5) is
17 amended by adding at the end the following: “An
18 employee shall not be credited with a year of partici-
19 pation in a defined benefit plan for any year in
20 which such employee does not benefit under the plan
21 within the meaning of section 410(b).”.

22 (l) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to years beginning after December
24 31, 1999.

1 **SEC. 105. ELECTIVE DEFERRALS NOT TAKEN INTO AC-**
2 **COUNT FOR PURPOSES OF LIMITS.**

3 (a) IN GENERAL.—Section 404 is amended by adding
4 at the end the following new subsection:

5 “(n) ELECTIVE DEFERRALS NOT TAKEN INTO AC-
6 COUNT FOR PURPOSES OF LIMITS.—Elective deferrals (as
7 defined in section 402(g)(3)) shall not be subject to any
8 limitations described in this section (other than subsection
9 (a)), and such elective deferrals shall not be taken into
10 account in applying such limitations to any other contribu-
11 tions.”.

12 (b) CONFORMING AMENDMENTS.—Paragraph (3) of
13 section 4972(c) is amended to read as follows:

14 “(3) CONTRIBUTIONS NOT TAKEN INTO AC-
15 COUNT.—In determining the amount of nondeduct-
16 ible contributions for any taxable year, there shall
17 not be taken into account—

18 “(A) any elective deferral (as defined in
19 section 402(g)(3)), or

20 “(B) any contribution for such taxable
21 year which is distributed to the employer in a
22 distribution described in section
23 4980(c)(2)(B)(ii) if such distribution is made
24 on or before the last day on which a contribu-
25 tion may be made for such taxable year under
26 section 404(a)(6).”.

1 (c) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to years beginning after December
3 31, 1999.

4 **SEC. 106. REDUCED PBGC PREMIUM FOR NEW PLANS OF**
5 **SMALL EMPLOYERS.**

6 (a) IN GENERAL.—Subparagraph (A) of section
7 4006(a)(3) of the Employee Retirement Income Security
8 Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

9 (1) by inserting “other than a new single-em-
10 ployer plan of a small employer (as defined in clause
11 (iv)),” after “in the case of a single-employer plan,”
12 in clause (i),

13 (2) by striking the period at the end of clause
14 (iii) and inserting “; and”, and

15 (3) by inserting after clause (iii) the following
16 new clause:

17 “(iv) in the case of a new single-employer plan
18 of a small employer, \$5 for each individual who is
19 a participant in such plan during the plan year. For
20 purposes of this clause (iv):

21 “(I) The term ‘new single-employer plan’
22 means a single-employer plan during its first
23 five plan years; provided, however, that a sin-
24 gle-employer plan is not a new single-employer
25 plan if any contributing sponsor or any member

1 of its controlled group (including any prede-
2 cessor of a contributing sponsor or member of
3 such predecessor's controlled group) had estab-
4 lished or maintained a plan to which this title
5 applied that included substantially the same
6 employees as such new plan, at any time within
7 the 36-month period preceding the adoption of
8 such new plan.

9 “(II) The term ‘small employer’ means a
10 contributing sponsor that on the first day of the
11 plan year has, in combination with all members
12 of its controlled group, 100 or fewer employees.

13 “(III) In the case of a plan maintained by
14 two or more contributing sponsors that are not
15 part of the same controlled group, the employ-
16 ees of all contributing sponsors and their con-
17 trolled groups shall be aggregated for purposes
18 of determining whether the plan shall be consid-
19 ered to be a plan of a small employer.”.

20 (b) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to plan years beginning after De-
22 cember 31, 1999.

1 **SEC. 107. PHASE-IN OF ADDITIONAL PREMIUM FOR NEW**
2 **PLANS.**

3 (a) IN GENERAL.—Subparagraph (E) of section
4 4006(a)(3) of the Employee Retirement Income Security
5 Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended—

6 (1) by inserting “(or, in the case of a new sin-
7 gle-employer plan described in clause (vi), the
8 amount determined under clause (v))” after “deter-
9 mined under clause (ii)” in clause (i), and

10 (2) by inserting after clause (iv) the following
11 new clauses:

12 “(v) The amount determined under this clause for
13 any plan year of a new single-employer plan (as described
14 in clause (vi)) shall be an amount equal to the product
15 derived by multiplying the amount determined under
16 clause (ii) by the applicable percentage. For purposes of
17 this clause (v), the term ‘applicable percentage’ means—

18 “(I) 0 percent, for the first plan year,

19 “(II) 20 percent, for the second plan year,

20 “(III) 40 percent, for the third plan year,

21 “(IV) 60 percent, for the fourth plan year, and

22 “(V) 80 percent, for the fifth plan year.

23 “(vi) For purposes of clause (v), the term ‘new single-
24 employer plan’ means a single-employer plan during its
25 first five plan years; provided, however, that a single-em-
26 ployer plan is not a new single-employer plan if any con-

1 contributing sponsor or any member of its controlled group
2 (including any predecessor of a contributing sponsor or
3 member of such predecessor's controlled group) had estab-
4 lished or maintained a plan to which this title applied that
5 included substantially the same employees as such new
6 plan, at any time within the 36-month period preceding
7 the adoption of such new plan.”.

8 (b) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to plan years beginning after De-
10 cember 31, 1999.

11 **SEC. 108. REPEAL OF COORDINATION REQUIREMENTS FOR**
12 **DEFERRED COMPENSATION PLANS OF STATE**
13 **AND LOCAL GOVERNMENTS AND TAX-EX-**
14 **EMPT ORGANIZATIONS.**

15 (a) IN GENERAL.—Subsection (c) of section 457 (re-
16 lating to deferred compensation plans of State and local
17 governments and tax-exempt organizations) is amended to
18 read as follows:

19 “(c) LIMITATION.—The maximum amount of the
20 compensation of any one individual which may be deferred
21 under subsection (a) during any taxable year shall not ex-
22 ceed \$15,000 (as modified by any adjustment provided
23 under subsection (b)(3)).”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall apply to years beginning after Decem-
3 ber 31, 1999.

4 **SEC. 109. ELIMINATION OF USER FEE FOR REQUESTS TO**
5 **IRS REGARDING PENSION PLANS.**

6 (a) ELIMINATION OF CERTAIN USER FEES.—The
7 Secretary of the Treasury or the Secretary’s delegate shall
8 not require payment of user fees under the program estab-
9 lished under section 10511 of the Revenue Act of 1987
10 for requests to the Internal Revenue Service for ruling let-
11 ters, opinion letters, and determination letters or similar
12 requests with respect to the qualified status of a pension
13 benefit plan maintained solely by one or more eligible em-
14 ployers or any trust which is part of the plan.

15 (b) PENSION BENEFIT PLAN.—For purposes of this
16 section, the term ‘pension benefit plan’ means a pension,
17 profit-sharing, stock bonus, annuity, or employee stock
18 ownership plan.

19 (c) ELIGIBLE EMPLOYER.—For purposes of this sec-
20 tion, the term “eligible employer” has the same meaning
21 given such term in section 408(p)(2)(C)(i)(I) of the Inter-
22 nal Revenue Code of 1986. The determination of whether
23 an employer is an eligible employer under this section shall
24 be made as of the date of the request described in sub-
25 section (a).

1 (d) EFFECTIVE DATE.—The provisions of this sec-
2 tion shall apply with respect to requests made after De-
3 cember 31, 1999.

4 **SEC. 110. ALTERNATIVE METHOD OF MEETING NON-**
5 **DISCRIMINATION REQUIREMENTS FOR AUTO-**
6 **MATIC CONTRIBUTION TRUST.**

7 (a) IN GENERAL.—Section 401(k) (relating to cash
8 or deferred arrangement) is amended by adding at the end
9 the following new paragraph:

10 “(13) NONDISCRIMINATION REQUIREMENTS
11 FOR AUTOMATIC CONTRIBUTION TRUSTS.—

12 “(A) IN GENERAL.—A cash or deferred ar-
13 rangement shall be treated as meeting the re-
14 quirements of paragraph (3)(A)(ii) if such ar-
15 rangement constitutes an automatic contribu-
16 tion trust.

17 “(B) AUTOMATIC CONTRIBUTION TRUST.—
18 For purposes of this paragraph, the term ‘auto-
19 matic contribution trust’ means an arrange-
20 ment—

21 “(i) under which each employee eligi-
22 ble to participate in the arrangement is
23 treated as having elected to have the em-
24 ployer make elective contributions in an
25 amount equal to the uniform percentage

1 (not less than 3 percent) of compensation
2 provided under the arrangement until the
3 employee specifically elects not to have
4 such contributions made, and

5 “(ii) which meets the other require-
6 ments of this paragraph.

7 Clause (i) of this subparagraph shall not apply
8 to any employee who was eligible to participate
9 in the arrangement (or a predecessor arrange-
10 ment) immediately before the first date on
11 which the arrangement is an automatic con-
12 tribution trust. The election treated as having
13 been made under clause (i) shall cease to apply
14 to compensation paid after the specific election
15 by the employee.

16 “(C) PARTICIPATION.—

17 “(i) Except as provided in clause (ii),
18 an arrangement meets the requirements of
19 this subparagraph for any year if, during
20 the plan year or the preceding plan year,
21 elective contributions are made on behalf
22 of at least 70 percent of employees other
23 than highly compensated employees eligible
24 to participate in the arrangement.

1 “(ii) An arrangement (other than a
2 successor arrangement) shall be treated as
3 meeting the requirements of this subpara-
4 graph with respect to the first plan year in
5 which the arrangement is effective.

6 “(D) MATCHING OR NONELECTIVE CON-
7 TRIBUTIONS.—The requirements of this sub-
8 paragraph are met if, under the arrangement,
9 the employer—

10 “(i) makes matching contributions on
11 behalf of each employee who is not a highly
12 compensated employee in an amount equal
13 to 50 percent of the elective contributions
14 of the employee to the extent such elective
15 contributions do not exceed 5 percent of
16 compensation, or

17 “(ii) is required, without regard to
18 whether the employee makes an elective
19 contribution or employee contribution, to
20 make a contribution to a defined contribu-
21 tion plan on behalf of each employee who
22 is not a highly compensated employee and
23 who is eligible to participate in the ar-
24 rangement in an amount equal to at least
25 2 percent of the employee’s compensation.

1 The rules of clauses (ii), (iii), and (iv) of para-
2 graph (12)(B) shall apply for purposes of clause
3 (i).

4 “(E) VESTING.—The requirements of this
5 subparagraph are met if the requirements of
6 subparagraph (C) of paragraph (2) are met
7 with respect to all employer contributions (in-
8 cluding matching contributions) taken into ac-
9 count in determining whether the requirements
10 of subparagraph (B) or (C) are met.

11 “(F) NOTICE REQUIREMENTS.—

12 “(i) IN GENERAL.—The requirements
13 of this subparagraph are met if the re-
14 quirements of clauses (ii) and (iii) are met.

15 “(ii) REASONABLE PERIOD TO MAKE
16 ELECTION.—The requirements of this
17 clause are met if each employee to whom
18 subparagraph (B)(i) applies—

19 “(I) receives a notice explaining
20 the employee’s right under the ar-
21 rangement to elect not to have elective
22 contributions made on the employee’s
23 behalf, and

24 “(II) has a reasonable period of
25 time after receipt of such notice and

1 before the first elective contribute is
2 made to make such election.

3 “(iii) ANNUAL NOTICE OF RIGHTS
4 AND OBLIGATIONS.—The requirements of
5 this clause are met if each employee eligi-
6 ble to participate in the arrangement is,
7 within a reasonable period before any year,
8 given notice of the employee’s rights and
9 obligations under the arrangement.

10 The requirements of clauses (i) and (ii) of para-
11 graph (12)(D) shall be met with respect to the
12 notices described in clauses (ii) and (iii) of this
13 subparagraph.”.

14 (b) MATCHING CONTRIBUTIONS.—Section 401(m)
15 (relating to nondiscrimination test for matching contribu-
16 tions and employee contributions) is amended by redesignig-
17 nating paragraph (12) as paragraph (13) and by inserting
18 after paragraph (11) the following new paragraph:

19 “(12) ALTERNATIVE METHOD FOR AUTOMATIC
20 CONTRIBUTION TRUSTS.—

21 “(A) IN GENERAL.—A defined contribution
22 plan shall be treated as meeting the require-
23 ments of paragraph (2) with respect to match-
24 ing contributions if the plan—

1 “(i) meets the contribution require-
2 ments of subparagraphs (B)(i) and (D) of
3 subsection (k)(13),

4 “(ii) meets the participation require-
5 ments of subsection (k)(13)(C),

6 “(iii) meets the vesting and notice re-
7 quirements of subparagraphs (E) and (F)
8 of subsection (k)(13), and

9 “(iv) meets the requirements of para-
10 graph (11)(B).

11 “(B) MATCHING CONTRIBUTIONS.—An an-
12 nuity contract under section 403(b) shall be
13 treated as meeting the requirements of para-
14 graph (2) with respect to matching contribu-
15 tions if such contract meets requirements simi-
16 lar to the requirements under subparagraph
17 (A).”.

18 (c) EXCLUSION FROM DEFINITION OF TOP-HEAVY
19 PLANS.—Paragraph (4) of section 416(d) (relating to
20 other special rules for top-heavy plans), as amended by
21 section 104(g), is amended by adding at the end the fol-
22 lowing new subparagraph:

23 “(J) AUTOMATIC CONTRIBUTION TRUST.—
24 The term ‘top-heavy plan’ shall not include an
25 automatic contribution trust under section

1 401(k)(13). Nothing in this subparagraph shall
2 preclude an employer from taking into account
3 contributions made under the automatic con-
4 tribution trust when determining whether any
5 plan of such employer satisfies the requirements
6 of this section.”.

7 (d) DEFINITION OF COMPENSATION.—

8 (1) IN GENERAL.—Paragraph (9) of section
9 401(k) is amended to read as follows:

10 “(9) COMPENSATION.—

11 “(A) IN GENERAL.—Except as provided in
12 subparagraph (B), for purposes of this section,
13 the term ‘compensation’ has the meaning given
14 such term by section 414(s).

15 “(B) USE OF BASE PAY.—For purposes of
16 paragraph (12)(B), the term ‘compensation’
17 means the definition of compensation used by
18 the cash or deferred arrangement if such com-
19 pensation—

20 “(i) meets the requirements of section
21 414(s), or

22 “(ii) constitutes base pay.

23 “(C) BASE PAY.—For purposes of sub-
24 paragraph (B), the term ‘base pay’ means a
25 reasonable definition of compensation that does

1 not by design favor highly compensated employ-
2 ees and that excludes on a consistent basis all
3 irregular or additional compensation.”.

4 (2) AUTOMATIC CONTRIBUTION TRUSTS.—Para-
5 graph (9)(B) of section 401(k) (as amended by
6 paragraph (1)) is amended by striking “paragraph
7 (12)(B)” and inserting “paragraphs (12)(B),
8 (13)(B), and (13)(D)(i)”.

9 (3) MATCHING CONTRIBUTIONS.—Paragraph
10 (11) of section 401(m) is amended by adding at the
11 end the following:

12 “(C) DEFINITION OF COMPENSATION.—
13 For purposes of subparagraph (B), the term
14 “compensation” has the meaning given such
15 term by subsection (k)(9)(B).”.

16 (e) APPLICATION BY YEAR OR PAYROLL PERIOD.—

17 (1) CASH OR DEFERRED ARRANGEMENTS.—
18 Subparagraph (B) of section 401(k)(12) is amended
19 by adding at the end the following:

20 “(iv) APPLICATION BY YEAR OR PAY-
21 ROLL PERIOD.—The requirements of this
22 subparagraph may be met for a plan year
23 by meeting such requirements either—

24 “(I) with respect to the plan year
25 as a whole, or

1 “(II) separately with respect to
2 each payroll period (or other payment
3 of compensation) taken into account
4 under the arrangement for the plan
5 year.”.

6 (2) DEFINED CONTRIBUTION PLANS.—Para-
7 graph (11) of section 401(m) (as amended by this
8 section) is amended by adding at the end the follow-
9 ing:

10 “(D) APPLICATION BY YEAR OR PAYROLL
11 PERIOD.—The requirements of subparagraph
12 (B) may be met for a plan year by meeting
13 such requirements either—

14 “(i) with respect to the plan year as
15 a whole, or

16 “(ii) separately with respect to each
17 payroll period (or other payment of com-
18 pensation) taken into account under the
19 plan for the plan year.”.

20 (f) SECTION 403(b) CONTRACTS.—Paragraph (11) of
21 section 401(m) (as amended by this section) is amended
22 by adding at the end the following:

23 “(E) SECTION 403(B) CONTRACTS.—An an-
24 nuity contract under section 403(b) shall be
25 treated as meeting the requirements of para-

1 graph (2) with respect to matching contribu-
2 tions if such contract meets requirements simi-
3 lar to the requirements under subparagraph
4 (A).”.

5 (e) EFFECTIVE DATE.—

6 (1) IN GENERAL.—Except as provided by para-
7 graph (2), the amendments made by this section
8 shall apply to plan years beginning after December
9 31, 1999.

10 (2) EXCEPTION.—The amendments made by
11 subsections (d)(1), (d)(3), (e), and (f) shall apply to
12 years beginning after December 31, 1998.

13 **SEC. 111. DEDUCTION LIMITS.**

14 (a) IN GENERAL.—

15 (1) STOCK BONUS AND PROFIT SHARING
16 TRUSTS.—Subclause (I) of section 404(a)(3)(A)(i)
17 (relating to stock bonus and profit sharing trusts) is
18 amended by striking “15 percent” and inserting “25
19 percent”.

20 (2) COMPENSATION.—Section 404(a) (relating
21 to general rule) is amended by adding at the end the
22 following:

23 “(12) DEFINITION OF COMPENSATION.—For
24 purposes of paragraphs (3), (7), and (9), the term
25 ‘compensation otherwise paid or accrued during the

1 taxable year' shall include amounts treated as 'par-
2 ticipant's compensation' under subparagraph (C) or
3 (D) of section 415(c)(3).”.

4 (3) DEFINED CONTRIBUTION PLANS.—Subpara-
5 graph (A) of section 404(a)(3) (relating to stock
6 bonus and profit sharing trusts) is amended by add-
7 ing at the end the following:

8 “(vi) DEFINED CONTRIBUTION PLANS
9 SUBJECT TO THE FUNDING STANDARDS.—
10 Except as provided by the Secretary, for
11 purposes of this subparagraph, a defined
12 contribution plan which is subject to the
13 funding standards of section 412 shall be
14 treated in the same manner as a stock
15 bonus or profit-sharing plan.”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) Subparagraph (A) of section 404(a)(3) is
18 amended by striking clause (v) and by redesignating
19 clause (vi) (as added by subsection (a)(3) of this sec-
20 tion) as clause (v).

21 (2) Subparagraph (B) of section 404(a)(3) is
22 amended by striking the last sentence thereof.

23 (3) Subparagraph (D) of section 404(a)(8) is
24 amended by striking the period at the end and in-
25 serting the following: “, except that such earned in-

1 come shall be adjusted under rules similar to the
2 rules of paragraph (12).”.

3 (4) Subparagraph (C) of section 404(h)(1) is
4 amended by striking “15 percent” each place it ap-
5 pears and inserting “25 percent”.

6 (5) Paragraph (2) of section 404(h) is amended
7 by striking “stock bonus or profit-sharing trust” and
8 inserting “trust subject to subsection (a)(3)(A)”.

9 (6) Clause (i) of section 4972(c)(6)(B) is
10 amended by striking “(within the meaning of section
11 404(a))” and inserting “(within the meaning of sec-
12 tion 404(a) and as adjusted under section
13 404(a)(12))”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to years beginning after December
16 31, 1999.

17 **SEC. 112. OPTION TO TREAT ELECTIVE DEFERRALS AS**
18 **AFTER-TAX CONTRIBUTIONS.**

19 (a) IN GENERAL.—Subpart A of part I of subchapter
20 D of chapter 1 (relating to deferred compensation, etc.)
21 is amended by inserting after section 402 the following
22 new section:

1 **“SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFER-**
2 **RALS AS PLUS CONTRIBUTIONS.**

3 “(a) GENERAL RULE.—If an applicable retirement
4 plan includes a qualified plus contribution program—

5 “(1) any designated plus contribution made by
6 an employee pursuant to the program shall be treat-
7 ed as an elective deferral for purposes of this chap-
8 ter, except that such contribution shall not be ex-
9 cludable from gross income, and

10 “(2) such plan (and any arrangement which is
11 part of such plan) shall not be treated as failing to
12 meet any requirement of this chapter solely by rea-
13 son of including such program.

14 “(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—
15 For purposes of this section—

16 “(1) IN GENERAL.—The term ‘qualified plus
17 contribution program’ means a program under which
18 an employee may elect to make designated plus con-
19 tributions in lieu of all or a portion of elective defer-
20 rals the employee is otherwise eligible to make under
21 the applicable retirement plan.

22 “(2) SEPARATE ACCOUNTING REQUIRED.—A
23 program shall not be treated as a qualified plus con-
24 tribution program unless the applicable retirement
25 plan—

1 “(A) establishes separate accounts (‘des-
2 ignated plus accounts’) for the designated plus
3 contributions of each employee and any earn-
4 ings properly allocable to the contributions, and

5 “(B) maintains separate recordkeeping
6 with respect to each account.

7 “(c) DEFINITIONS AND RULES RELATING TO DES-
8 IGNATED PLUS CONTRIBUTIONS.—For purposes of this
9 section—

10 “(1) DESIGNATED PLUS CONTRIBUTION.—The
11 term ‘designated plus contribution’ means any elec-
12 tive deferral which—

13 “(A) is excludable from gross income of an
14 employee without regard to this section, and

15 “(B) the employee designates (at such time
16 and in such manner as the Secretary may pre-
17 scribe) as not being so excludable.

18 “(2) DESIGNATION LIMITS.—The amount of
19 elective deferrals which an employee may designate
20 under paragraph (1) shall not exceed the excess (if
21 any) of—

22 “(A) the maximum amount of elective de-
23 ferrals excludable from gross income of the em-
24 ployee for the taxable year (without regard to
25 this section), over

1 “(B) the aggregate amount of elective de-
2 ferrals of the employee for the taxable year
3 which the employee does not designate under
4 paragraph (1).

5 “(3) ROLLOVER CONTRIBUTIONS.—

6 “(A) IN GENERAL.—A rollover contribu-
7 tion of any payment or distribution from a des-
8 ignated plus account which is otherwise allow-
9 able under this chapter may be made only if the
10 contribution is to—

11 “(i) another designated plus account
12 of the individual from whose account the
13 payment or distribution was made, or

14 “(ii) a Roth IRA of such individual.

15 “(B) COORDINATION WITH LIMIT.—Any
16 rollover contribution to a designated plus ac-
17 count under subparagraph (A) shall not be
18 taken into account for purposes of paragraph
19 (1).

20 “(d) DISTRIBUTION RULES.—For purposes of this
21 title—

22 “(1) EXCLUSION.—Any qualified distribution
23 from a designated plus account shall not be includ-
24 ible in gross income.

1 “(2) QUALIFIED DISTRIBUTION.—For purposes
2 of this subsection—

3 “(A) IN GENERAL.—The term ‘qualified
4 distribution’ has the meaning given such term
5 by section 408A(d)(2)(A).

6 “(B) DISTRIBUTIONS WITHIN NONEXCLU-
7 SION PERIOD.—A payment or distribution from
8 a designated plus account shall not be treated
9 as a qualified distribution if such payment or
10 distribution is made within the 5-taxable-year
11 period beginning with the earlier of—

12 “(i) the earlier of—

13 “(I) the 1st taxable year for
14 which the individual made a des-
15 ignated plus contribution to any des-
16 ignated plus account established for
17 such individual under the same appli-
18 cable retirement plan, or

19 “(II) if a rollover contribution
20 was made to such designated plus ac-
21 count from a designated plus account
22 previously established for such individ-
23 ual under another applicable retire-
24 ment plan, the 1st taxable year for
25 which the individual made a des-

1 ignated plus contribution to such pre-
2 viously established account), or

3 “(ii) the 1st taxable year for which
4 the individual (or the individual’s spouse)
5 made a contribution to a Roth IRA estab-
6 lished for such individual.

7 “(C) DISTRIBUTIONS OF EXCESS DEFER-
8 RALS AND EARNINGS.—The term ‘qualified dis-
9 tribution’ shall not include any distribution of
10 any excess deferral under section 402(g)(2) and
11 any income on the excess deferral.

12 “(3) AGGREGATION RULES.—Section 72 shall
13 be applied separately with respect to distributions
14 and payments from a designated plus account and
15 other distributions and payments from the plan.

16 “(e) OTHER DEFINITIONS.—For purposes of this
17 section—

18 “(1) APPLICABLE RETIREMENT PLAN.—The
19 term ‘applicable retirement plan’ means—

20 “(A) an employees’ trust described in sec-
21 tion 401(a) which is exempt from tax under
22 section 501(a), and

23 “(B) a plan under which amounts are con-
24 tributed by an individual’s employer for an an-
25 nuity contract described in section 403(b).

1 “(2) ELECTIVE DEFERRAL.—The term ‘elective
2 deferral’ means any elective deferral described in
3 subparagraph (A) or (C) of section 402(g)(3).”

4 (b) EXCESS DEFERRALS.—Section 402(g) (relating
5 to limitation on exclusion for elective deferrals) is amend-
6 ed—

7 (1) by adding at the end of paragraph (1) the
8 following new sentence: “The preceding sentence
9 shall not apply to so much of such excess as does
10 not exceed the designated plus contributions of the
11 individual for the taxable year.”, and

12 (2) by inserting “(or would be included but for
13 the last sentence thereof)” after “paragraph (1)” in
14 paragraph (2)(A).

15 (c) ROLLOVERS.—Subparagraph (B) of section
16 402(c)(7) (as amended by sections 301 and 302) is
17 amended by adding at the end the following:

18 “Without regard to the foregoing provisions of
19 this paragraph, if any portion of an eligible roll-
20 over distribution is attributable to payments or
21 distributions from a designated plus account (as
22 defined in section 402A), an eligible retirement
23 plan with respect to such portion shall include
24 only another designated plus account and a
25 Roth IRA.”

1 (d) REPORTING REQUIREMENTS.—

2 (1) W-2 INFORMATION.—Section 6051(a)(8) is
3 amended by inserting “, including the amount of
4 designated plus contributions (as defined in section
5 402A)” before the comma at the end.

6 (2) INFORMATION.—Section 6047 is amended
7 by redesignating subsection (f) as subsection (g) and
8 by inserting after subsection (e) the following new
9 subsection:

10 “(f) DESIGNATED PLUS CONTRIBUTIONS.—The Sec-
11 retary shall require the plan administrator of each applica-
12 ble retirement plan (as defined in section 402A) to make
13 such returns and reports regarding designated plus con-
14 tributions (as so defined) to the Secretary, participants
15 and beneficiaries of the plan, and such other persons as
16 the Secretary may prescribe.”

17 (e) CONFORMING AMENDMENTS.—

18 (1) Section 408A(e) is amended by adding after
19 the first sentence the following new sentence: “Such
20 term includes a rollover contribution described in
21 section 402A(c)(3)(A).”

22 (2) The table of sections for subpart A of part
23 I of subchapter D of chapter 1 is amended by insert-
24 ing after the item relating to section 402 the follow-
25 ing new item:

“Sec. 402A. Optional treatment of elective deferrals as plus contributions.”

1 (f) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2000.

4 **SEC. 113. CREDIT FOR PENSION PLAN STARTUP COSTS OF**
5 **SMALL EMPLOYERS.**

6 (a) IN GENERAL.—Subpart D of part IV of sub-
7 chapter A of chapter 1 (relating to business related cred-
8 its) is amended by adding at the end the following new
9 section:

10 **“SEC. 45D. SMALL EMPLOYER PENSION PLAN STARTUP**
11 **COSTS.**

12 “(a) GENERAL RULE.—For purposes of section 38,
13 in the case of an eligible employer, the small employer pen-
14 sion plan startup cost credit determined under this section
15 for any taxable year is an amount equal to 50 percent
16 of the qualified startup costs paid or incurred by the tax-
17 payer during the taxable year.

18 “(b) DOLLAR LIMITATION.—The amount of the cred-
19 it determined under this section for any taxable year shall
20 not exceed—

21 “(1) \$1,000 for the first credit year,

22 “(2) \$500 for each of the 2 taxable years imme-
23 diately following the first credit year, and

24 “(3) zero for any other taxable year.

1 “(c) ELIGIBLE EMPLOYER.—For purposes of this
2 section—

3 “(1) IN GENERAL.—The term ‘eligible em-
4 ployer’ has the meaning given such term by section
5 408(p)(2)(C)(i).

6 “(2) EMPLOYERS MAINTAINING QUALIFIED
7 PLANS DURING 1998 NOT ELIGIBLE.—Such term
8 shall not include an employer if such employer (or
9 any predecessor employer) maintained a qualified
10 plan (as defined in section 408(p)(2)(D)(ii)) with re-
11 spect to which contributions were made, or benefits
12 were accrued, for service in 1998. If only individuals
13 other than employees described in subparagraph (A)
14 of section 410(b)(3) are eligible to participate in the
15 qualified employer plan referred to in subsection
16 (d)(1), then the preceding sentence shall be applied
17 without regard to any qualified plan in which only
18 employees so described are eligible to participate.

19 “(d) OTHER DEFINITIONS.—For purposes of this
20 section—

21 “(1) QUALIFIED STARTUP COSTS.—

22 “(A) IN GENERAL.—The term ‘qualified
23 startup costs’ means any ordinary and nec-
24 essary expenses of an eligible employer which
25 are paid or incurred in connection with—

1 “(i) the establishment or administra-
2 tion of an eligible employer plan, or

3 “(ii) the retirement-related education
4 of employees with respect to such plan.

5 “(B) PLAN MUST HAVE AT LEAST 2 PAR-
6 TICIPANTS.—Such term shall not include any
7 expense in connection with a plan that does not
8 have at least 2 individuals who are eligible to
9 participate.

10 “(C) PLAN MUST BE ESTABLISHED BE-
11 FORE JANUARY 1, 2002.—Such term shall not
12 include any expense in connection with a plan
13 established after December 31, 2001.

14 “(2) ELIGIBLE EMPLOYER PLAN.—The term
15 ‘eligible employer plan’ means a qualified employer
16 plan within the meaning of section 4972(d).

17 “(3) FIRST CREDIT YEAR.—The term ‘first
18 credit year’ means—

19 “(A) the taxable year which includes the
20 date that the eligible employer plan to which
21 such costs relate becomes effective, or

22 “(B) at the election of the eligible em-
23 ployer, the taxable year preceding the taxable
24 year referred to in subparagraph (A).

1 “(e) SPECIAL RULES.—For purposes of this sec-
2 tion—

3 “(1) AGGREGATION RULES.—All persons treat-
4 ed as a single employer under subsection (a) or (b)
5 of section 52, or subsection (n) or (o) of section 414,
6 shall be treated as one person. All eligible employer
7 plans shall be treated as 1 eligible employer plan.

8 “(2) DISALLOWANCE OF DEDUCTION.—No de-
9 duction shall be allowed for that portion of the quali-
10 fied startup costs paid or incurred for the taxable
11 year which is equal to the credit determined under
12 subsection (a).

13 “(3) ELECTION NOT TO CLAIM CREDIT.—This
14 section shall not apply to a taxpayer for any taxable
15 year if such taxpayer elects to have this section not
16 apply for such taxable year.”

17 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
18 NESS CREDIT.—Section 38(b) (defining current year busi-
19 ness credit) is amended by striking “plus” at the end of
20 paragraph (11), by striking the period at the end of para-
21 graph (12) and inserting “, plus”, and by adding at the
22 end the following new paragraph:

23 “(13) in the case of an eligible employer (as de-
24 fined in section 45D(c)), the small employer pension

1 plan startup cost credit determined under section
2 45D(a).”

3 (c) CONFORMING AMENDMENTS.—

4 (1) Section 39(d) is amended by adding at the
5 end the following new paragraph:

6 “(8) NO CARRYBACK OF SMALL EMPLOYER
7 PENSION PLAN STARTUP COST CREDIT BEFORE EF-
8 FECTIVE DATE.—No portion of the unused business
9 credit for any taxable year which is attributable to
10 the small employer pension plan startup cost credit
11 determined under section 45D may be carried back
12 to a taxable year ending on or before the date of the
13 enactment of section 45D.”

14 (2) Subsection (c) of section 196 is amended by
15 striking “and” at the end of paragraph (7), by strik-
16 ing the period at the end of paragraph (8) and in-
17 serting “, and”, and by adding at the end the follow-
18 ing new paragraph:

19 “(9) the small employer pension plan startup
20 cost credit determined under section 45D(a).”

21 (3) The table of sections for subpart D of part
22 IV of subchapter A of chapter 1 is amended by add-
23 ing at the end the following new item:

“Sec. 45D. Small employer pension plan startup costs.”

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to costs paid or incurred in taxable
3 years ending after the date of the enactment of this Act.

4 **TITLE II—ENHANCING FAIRNESS**
5 **FOR WOMEN AND CHILDREN**

6 **SEC. 201. ADDITIONAL SALARY REDUCTION CATCH-UP CON-**
7 **TRIBUTIONS.**

8 (a) LIMITATION ON EXCLUSION FOR ELECTIVE DE-
9 FERRALS.—

10 (1) IN GENERAL.—Subsection (g) of section
11 402 (as amended by section 101(d)) is further
12 amended by adding at the end the following:

13 “(9) CATCH-UP CONTRIBUTIONS FOR THOSE
14 APPROACHING RETIREMENT.—In the case of an indi-
15 vidual who has attained age 50 during any taxable
16 year, the limitation of paragraph (1) for such year,
17 after the application of paragraph (8), shall be in-
18 creased by \$5,000.”.

19 (2) COST-OF-LIVING ADJUSTMENT.—Paragraph
20 (4) of section 402(g) (relating to cost-of-living ad-
21 justment), as amended by section 101(d), is further
22 amended by inserting “and the \$5,000 amount
23 under paragraph (9)” after “paragraph (1)”.

24 (b) SIMPLE RETIREMENT ACCOUNTS.—

1 (1) IN GENERAL.—Paragraph (2) of section
2 408(p) (relating to qualified salary reduction ar-
3 rangement) (as amended by sections 101(f) and
4 103(a)) is further amended by redesignating sub-
5 paragraph (F) as subparagraph (G) and by inserting
6 after subparagraph (E) the following new subpara-
7 graph:

8 “(F) CATCH-UP CONTRIBUTIONS FOR
9 THOSE APPROACHING RETIREMENT.—In the
10 case of an individual who has attained age 50
11 during any taxable year, the limitation of sub-
12 paragraph (A)(ii) for such year shall be in-
13 creased by \$5,000.”.

14 (2) COST-OF-LIVING ADJUSTMENT.—Subpara-
15 graph (G) of section 408(p)(2) (as so redesignated)
16 is amended by inserting “and the \$5,000 amount
17 under subparagraph (F)” after “subparagraph
18 (A)(ii)”.

19 (c) DEFERRED COMPENSATION PLANS OF STATE
20 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
21 ZATIONS.—

22 (1) IN GENERAL.—Subsection (b) of section
23 457 (relating to definition of eligible deferred com-
24 pensation plan) is amended by adding at the end the
25 following new paragraph:

1 “(7) CATCH-UP CONTRIBUTIONS FOR THOSE
2 APPROACHING RETIREMENT.—In the case of an indi-
3 vidual who has attained age 50 during any taxable
4 year, the limitation of paragraph (2)(A) for such
5 year shall be increased by \$5,000.”.

6 (2) COST-OF-LIVING ADJUSTMENT.—Paragraph
7 (15) of section 457(e) (relating to cost-of-living ad-
8 justment) is amended by inserting “, and the \$5,000
9 amount specified in subsection (b)(7),” after
10 “(c)(1)”.

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to years beginning after December
13 31, 1999.

14 **SEC. 202. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF**
15 **EMPLOYEES TO DEFINED CONTRIBUTION**
16 **PLANS.**

17 (a) IN GENERAL.—

18 (1) Subparagraph (B) of section 415(c)(1) (re-
19 lating to limitation for defined contribution plans) is
20 amended to read as follows:

21 “(B) the participant’s compensation.”.

22 (2) CONFORMING AMENDMENTS.—

23 (A) Subsection (f) of section 72 is amend-
24 ed by striking “section 403(b)(2)(D)(iii))” and

1 inserting “section 403(b)(2)(D)(iii), as in effect
2 on December 31, 1998)”.

3 (B) Section 403(b) is amended—

4 (i) by striking “the exclusion allow-
5 ance for such taxable year” in paragraph
6 (1) and inserting “the applicable limit
7 under section 415”,

8 (ii) by striking paragraph (2), and

9 (iii) by inserting “or any amount re-
10 ceived by a former employee after the 5th
11 taxable year following the taxable year in
12 which such employee was terminated” be-
13 fore the period at the end of the second
14 sentence of paragraph (3).

15 (C) Section 404(a)(10)(B) is amended by
16 striking “, the exclusion allowance under sec-
17 tion 403(b)(2),”.

18 (D) Section 415(a)(2) is amended by strik-
19 ing “, and the amount of the contribution for
20 such portion shall reduce the exclusion allow-
21 ance as provided in section 403(b)(2)”.

22 (E) Section 415(c)(3) is amended by add-
23 ing at the end the following new subparagraph:

24 “(E) ANNUITY CONTRACTS.—In the case
25 of an annuity contract described in section

1 403(b), the term ‘participant’s compensation’
2 means the participant’s includible compensation
3 determined under section 403(b)(3).”.

4 (F) Section 415(c) is amended by striking
5 paragraph (4).

6 (G) Section 415(c)(7) is amended to read
7 as follows:

8 “(7) CERTAIN CONTRIBUTIONS BY CHURCH
9 PLANS NOT TREATED AS EXCEEDING LIMIT.—

10 “(A) IN GENERAL.—Notwithstanding any
11 other provision of this subsection, at the elec-
12 tion of a participant who is an employee of a
13 church, a convention or association of churches,
14 including an organization described in section
15 414(e)(3)(B)(ii), contributions and other addi-
16 tions for an annuity contract or retirement in-
17 come account described in section 403(b) with
18 respect to such participant, when expressed as
19 an annual addition to such participant’s ac-
20 count, shall be treated as not exceeding the lim-
21 itation of paragraph (1) if such annual addition
22 is not in excess of \$10,000.

23 “(B) \$40,000 AGGREGATE LIMITATION.—
24 The total amount of additions with respect to
25 any participant which may be taken into ac-

1 count for purposes of this subparagraph for all
2 years may not exceed \$40,000.

3 “(C) ANNUAL ADDITION.—For purposes of
4 this paragraph, the term ‘annual addition’ has
5 the meaning given such term by paragraph
6 (2).”.

7 (H) Section 415(e)(5) is amended—

8 (i) by striking “(except in the case of
9 a participant who has elected under sub-
10 section (c)(4)(D) to have the provisions of
11 subsection (c)(4)(C) apply)”, and

12 (ii) by striking the last sentence.

13 (I) Section 415(n)(2)(B) is amended by
14 striking “percentage”.

15 (J) Subparagraph (B) of section 402(g)(7)
16 (as amended by section 101(d)) is amended by
17 inserting before the period at the end the fol-
18 lowing: “(as in effect on the date of the enact-
19 ment of the Retirement Security for the 21st
20 Century Act)”.

21 (3) EFFECTIVE DATE.—The amendments made
22 by this subsection shall apply to years beginning
23 after December 31, 1999.

24 (b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

1 (1) IN GENERAL.—Subsection (k) of section
2 415 is amended by adding at the end the following
3 new paragraph:

4 “(4) SPECIAL RULES FOR SECTIONS 403(b) AND
5 408.—For purposes of this section, any annuity con-
6 tract described in section 403(b) for the benefit of
7 a participant shall be treated as a defined contribu-
8 tion plan maintained by each employer with respect
9 to which the participant has the control required
10 under subsection (b) or (c) of section 414 (as modi-
11 fied by subsection (h)). For purposes of this section,
12 any contribution by an employer to a simplified em-
13 ployee pension plan for an individual for a taxable
14 year shall be treated as an employer contribution to
15 a defined contribution plan for such individual for
16 such year.”.

17 (2) EFFECTIVE DATE.—The amendment made
18 by paragraph (1) shall apply to limitation years be-
19 ginning after December 31, 1999.

20 (c) DEFERRED COMPENSATION PLANS OF STATE
21 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
22 ZATIONS.—Subparagraph (B) of section 457(b)(2) (relat-
23 ing to salary limitation on eligible deferred compensation
24 plans) is amended by striking “33 $\frac{1}{3}$ percent” and insert-
25 ing “100 percent”.

1 (d) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to years beginning after December
 3 31, 1999.

4 **SEC. 203. FASTER VESTING OF CERTAIN EMPLOYER**
 5 **MATCHING CONTRIBUTIONS.**

6 (a) AMENDMENTS TO 1986 CODE.—Section 411(a)
 7 (relating to minimum vesting standards) is amended—

8 (1) in paragraph (2), by striking “A plan” and
 9 inserting “Except as provided in paragraph (12), a
 10 plan”, and

11 (2) by adding at the end the following:

12 “(12) FASTER VESTING FOR MATCHING CON-
 13 TRIBUTIONS.—In the case of matching contributions
 14 (as defined in section 401(m)(4)(A)), paragraph (2)
 15 shall be applied—

16 “(A) by substituting ‘3 years’ for ‘5 years’
 17 in subparagraph (A), and

18 “(B) by substituting the following table for
 19 the table contained in subparagraph (B):

“Years of service:	The nonforfeitable percentage is:
1	20
2	40
3	60
4	80
5	100.”.

20 (b) AMENDMENTS TO ERISA.—Section 203(a) of the
 21 Employee Retirement Income Security Act of 1974 (29
 22 U.S.C. 1053(a)) is amended—

1 (1) in paragraph (2), by striking “A plan” and
 2 inserting “Except as provided in paragraph (4), a
 3 plan”, and

4 (2) by adding at the end the following:

5 “(4) In the case of matching contributions (as
 6 defined in section 401(m)(4)(A) of the Internal Rev-
 7 enue Code of 1986), paragraph (2) shall be ap-
 8 plied—

9 “(A) by substituting ‘3 years’ for ‘5 years’
 10 in subparagraph (A), and

11 “(B) by substituting the following table for
 12 the table contained in subparagraph (B):

“Years of service:	The nonforfeitable percentage is:
1	20
2	40
3	60
4	80
5	100.”.

13 (c) EFFECTIVE DATES.—

14 (1) IN GENERAL.—Except as provided in para-
 15 graph (2), the amendments made by this section
 16 shall apply to contributions for plan years beginning
 17 after December 31, 1999.

18 (2) COLLECTIVE BARGAINING AGREEMENTS.—

19 In the case of a plan maintained pursuant to 1 or
 20 more collective bargaining agreements between em-
 21 ployee representatives and 1 or more employers rati-
 22 fied by the date of enactment of this Act, the

1 amendments made by this section shall not apply to
2 contributions on behalf of employees covered by any
3 such agreement for plan years beginning before the
4 earlier of—

5 (A) the later of—

6 (i) the date on which the last of such
7 collective bargaining agreements termi-
8 nates (determined without regard to any
9 extension thereof on or after such date of
10 enactment), or

11 (ii) January 1, 2000, or

12 (B) January 1, 2004.

13 (3) SERVICE REQUIRED.—With respect to any
14 plan, the amendments made by this section shall not
15 apply to any employee before the date that such em-
16 ployee has 1 hour of service under such plan in any
17 plan year to which the amendments made by this
18 section apply.

19 **SEC. 204. DEFERRED ANNUITIES FOR SURVIVING SPOUSES**
20 **OF FEDERAL EMPLOYEES.**

21 (a) IN GENERAL.—Section 8341 of title 5, United
22 States Code, is amended—

23 (1) in subsection (h)(1), by striking “section
24 8338(b) of this title” and inserting “section
25 8338(b), and a former spouse of a deceased former

1 employee who separated from the service with title
2 to a deferred annuity under section 8338 (if they
3 were married to one another prior to the date of sep-
4 aration),”; and

5 (2) by adding at the end the following:

6 “(j)(1) If a former employee dies after having sepa-
7 rated from the service with title to a deferred annuity
8 under section 8338 but before having established a valid
9 claim for annuity, and is survived by a spouse to whom
10 married on the date of separation, the surviving spouse
11 may elect to receive—

12 “(A) an annuity, commencing on what would
13 have been the former employee’s 62d birthday, equal
14 to 55 percent of the former employee’s deferred an-
15 nuity;

16 “(B) an annuity, commencing on the day after
17 the date of death of the former employee, such that,
18 to the extent practicable, the present value of the fu-
19 ture payments of the annuity would be actuarially
20 equivalent to the present value of the future pay-
21 ments under subparagraph (A) as of the day after
22 the former employee’s death; or

23 “(C) the lump-sum credit, if the surviving
24 spouse is the individual who would be entitled to the

1 lump-sum credit and if such surviving spouse files
2 application therefor.

3 “(2) An annuity under this subsection and the right
4 thereto terminate on the last day of the month before the
5 surviving spouse remarries before becoming 55 years of
6 age, or dies.”.

7 (b) CORRESPONDING AMENDMENT FOR FERS.—
8 Section 8445(a) of title 5, United States Code, is amend-
9 ed—

10 (1) by striking “(or of a former employee or”
11 and inserting “(or of a former”; and

12 (2) by striking “annuity)” and inserting “annu-
13 ity, or of a former employee who dies after having
14 separated from the service with title to a deferred
15 annuity under section 8413 but before having estab-
16 lished a valid claim for annuity (if such former
17 spouse was married to such former employee prior
18 to the date of separation))”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply with respect to surviving spouses
21 and former spouses (whose marriage, in the case of the
22 amendments made by subsection (a), terminated after
23 May 6, 1985) of former employees who die after the date
24 of the enactment of this Act.

1 **SEC. 205. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.**
2

3 (a) SIMPLIFICATION AND FINALIZATION OF MINIMUM DISTRIBUTION REQUIREMENTS.—
4

5 (1) IN GENERAL.—The Secretary of the Treasury shall—
6

7 (A) simplify and finalize the regulations relating to minimum distribution requirements
8 under sections 401(a)(9), 408(a)(6) and (b)(3),
9 403(b)(10), and 457(d)(2) of the Internal Revenue Code of 1986, and
10
11

12 (B) modify such regulations to—

13 (i) reflect increases in life expectancy,
14 and

15 (ii) revise the required distribution methods so that, under reasonable assumptions,
16 the amount of the required minimum distribution does not decrease over a participant's life expectancy.
17
18
19

20 (2) FRESH START.—Notwithstanding subparagraph (D) of section 401(a)(9) of such Code, during
21 the first year that regulations are in effect under this subsection, required distributions for future
22 years may be redetermined to reflect changes under such regulations. Such redetermination shall include
23 the opportunity to choose a new designated bene-
24
25
26

1 ficiary and to elect a new method of calculating life
2 expectancy.

3 (3) EFFECTIVE DATE FOR REGULATIONS.—

4 Regulations referred to in paragraph (1) shall be ef-
5 fective for years beginning after December 31, 2000,
6 and shall apply in such years without regard to
7 whether an individual had previously begun receiving
8 minimum distributions.

9 (b) AMOUNT NOT SUBJECT TO MINIMUM DISTRIBU-
10 TION REQUIREMENTS.—Paragraph (9) of section 401(a)
11 is amended—

12 (1) in subparagraph (A), by inserting “(minus
13 the exclusion amount)” after “the entire interest”;
14 and

15 (2) by adding at the end the following:

16 “(H) EXCLUSION AMOUNT.—

17 “(i) IN GENERAL.—For purposes of
18 this paragraph, the term ‘exclusion
19 amount’ means—

20 “(I) \$100,000 in the case of a
21 defined contribution plan;

22 “(II) \$100,000 in the case of an
23 individual retirement plan; and

24 “(III) \$0 in the case of a defined
25 benefit plan.

1 “(ii) AGGREGATION OF PLANS.—For
2 purposes of determining the exclusion
3 amount under clause (i)—

4 “(I) all defined contribution
5 plans maintained by the same em-
6 ployer shall be treated as a single
7 plan; and

8 “(II) all individual retirement
9 plans (other than Roth IRAs) of the
10 individual shall be treated as a single
11 plan.

12 “(iii) COST-OF-LIVING ADJUST-
13 MENT.—The Secretary shall adjust the
14 \$100,000 exclusion amount specified in
15 clause (i) at the same time and in the
16 same manner as under section 415(d), ex-
17 cept that the base period shall be the cal-
18 endar quarter ending September 30,
19 1999.”.

20 (3) EFFECTIVE DATE.—The amendments made
21 by this subsection shall apply to years beginning
22 after December 31, 2000.

23 (c) REPEAL OF RULE WHERE DISTRIBUTIONS HAD
24 BEGUN BEFORE DEATH OCCURS.—

1 (1) IN GENERAL.—Subparagraph (B) of section
2 401(a)(9) is amended by striking clause (i) and re-
3 designating clauses (ii), (iii), and (iv) as clauses (i),
4 (ii), and (iii), respectively.

5 (2) CONFORMING CHANGES.—

6 (A) Clause (i) of section 401(a)(9)(B) (as
7 so redesignated) is amended—

8 (i) by striking “FOR OTHER CASES” in
9 the heading, and

10 (ii) by striking “the distribution of the
11 employee’s interest has begun in accord-
12 ance with subparagraph (A)(ii)” and in-
13 serting “his entire interest has been dis-
14 tributed to him,”.

15 (B) Clause (ii) of section 401(a)(9)(B) (as
16 so redesignated) is amended by striking “clause
17 (ii)” and inserting “clause (i)”.

18 (C) Clause (iii) of section 401(a)(9)(B)(iii)
19 (as so redesignated) is amended—

20 (i) by striking “clause (iii)(I)” and in-
21 serting “clause (ii)(I)”,

22 (ii) in subclause (I) by striking
23 “clause (iii)(III)” and inserting “clause
24 (ii)(III)”,

1 (iii) in subclause (I) by striking “the
2 date on which the employee would have at-
3 tained the age 70½,” and inserting “April
4 1 of the calendar year following the cal-
5 endar year in which the spouse attains
6 70½, and clause (ii) shall not apply to the
7 exclusion amount,” and

8 (iv) in subclause (II) by striking “the
9 distributions to such spouse begin,” and
10 inserting “his entire interest has been dis-
11 tributed to him,”.

12 (3) REDUCTION IN EXCISE TAX.—Subsection
13 (a) of section 4974 is amended by striking “50 per-
14 cent” and inserting “10 percent”.

15 (4) EFFECTIVE DATE.—

16 (A) IN GENERAL.—Except as provided by
17 subparagraph (B), the amendments made by
18 this subsection shall apply to years beginning
19 after December 31, 2000.

20 (B) EXCISE TAX.—The amendment made
21 by paragraph (3) shall apply to years beginning
22 after December 31, 1999.

1 **SEC. 206. CLARIFICATION OF TAX TREATMENT OF DIVISION**
2 **OF SECTION 457 PLAN BENEFITS UPON DI-**
3 **VORCE.**

4 (a) IN GENERAL.—Section 414(p)(11) (relating to
5 application of rules to governmental and church plans) is
6 amended—

7 (1) by inserting “or an eligible deferred com-
8 pensation plan (within the meaning of section
9 457(b))” after “subsection (e))”, and

10 (2) in the heading, by striking “GOVERN-
11 MENTAL AND CHURCH PLANS” and inserting “CER-
12 TAIN OTHER PLANS”.

13 (b) WAIVER OF CERTAIN DISTRIBUTION REQUIRE-
14 MENTS.—Paragraph (10) of section 414(p) is amended by
15 striking “and section 409(d)” and inserting “section
16 409(d), and section 457(d)”.

17 (c) TAX TREATMENT OF PAYMENTS FROM A SEC-
18 TION 457 PLAN.—Subsection (p) of section 414 is amend-
19 ed by redesignating paragraph (12) as paragraph (13) and
20 inserting after paragraph (11) the following new para-
21 graph:

22 “(12) TAX TREATMENT OF PAYMENTS FROM A
23 SECTION 457 PLAN.—If a distribution or payment
24 from an eligible deferred compensation plan de-
25 scribed in section 457(b) is made pursuant to a
26 qualified domestic relations order, rules similar to

1 the rules of section 402(e)(1)(A) shall apply to such
2 distribution or payment.”.

3 (d) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to transfers, distributions, and
5 payments made after the date of enactment of this Act.

6 **SEC. 207. PERCENTAGE LIMITATIONS ON CONTRIBUTIONS.**

7 (a) AMENDMENTS RELATING TO FERS.—

8 (1) IN GENERAL.—

9 (A) Subsection (a) of section 8432 of title
10 5, United States Code, is amended by striking
11 “10 percent of”.

12 (B) Subsection (d) of section 8432 of title
13 5, United States Code, is amended by striking
14 “section 415” and inserting “section
15 401(a)(30) or 415”.

16 (2) JUSTICES AND JUDGES.—Subsection (b) of
17 section 8440a of title 5, United States Code, is
18 amended—

19 (A) by striking paragraph (2) and by re-
20 designating paragraphs (3) through (7) as
21 paragraphs (2) through (6), respectively; and

22 (B) in paragraph (6) (as so redesignated
23 by subparagraph (A)) by striking “paragraphs
24 (4) and (5)” and inserting “paragraphs (3) and
25 (4)”.

1 (3) BANKRUPTCY JUDGES AND MAG-
2 ISTRATES.—Subsection (b) of section 8440b of title
3 5, United States Code, is amended—

4 (A) by striking paragraph (2) and by re-
5 designating paragraphs (3) through (8) as
6 paragraphs (2) through (7), respectively;

7 (B) in paragraph (4) (as so redesignated
8 by subparagraph (A)) by striking “paragraph
9 (4)(A), (B), or (C)” and inserting “paragraph
10 (3)(A), (B), or (C)”; and

11 (C) in paragraph (7) (as so redesignated
12 by subparagraph (A)) by striking “Notwith-
13 standing paragraph (4),” and inserting “Not-
14 withstanding paragraph (3),”.

15 (4) COURT OF FEDERAL CLAIMS JUDGES.—
16 Subsection (b) of section 8440c of title 5, United
17 States Code, is amended—

18 (A) by striking paragraph (2) and by re-
19 designating paragraphs (3) through (8) as
20 paragraphs (2) through (7), respectively;

21 (B) in paragraph (4) (as so redesignated
22 by subparagraph (A)) by striking “paragraph
23 (4)(A) or (B)” and inserting “paragraph (3)(A)
24 or (B)”; and

1 (C) in paragraph (7) (as so redesignated
2 by subparagraph (A)) by striking “Notwith-
3 standing paragraph (4),” and inserting “Not-
4 withstanding paragraph (3),”.

5 (5) JUDGES OF THE UNITED STATES COURT OF
6 VETERANS APPEALS.—Paragraph (2) of section
7 8440d(b) of title 5, United States Code, is amended
8 to read as follows:

9 “(2) For purposes of contributions made to the Thrift
10 Savings Fund, basic pay does not include any retired pay
11 paid pursuant to section 7296 of title 38.”.

12 (b) AMENDMENTS RELATING TO CSRS.—Paragraph
13 (2) of section 8351(b) of title 5, United States Code, is
14 amended by striking “5 percent of”.

15 (c) EFFECTIVE DATE.—

16 (1) IN GENERAL.—The amendments made by
17 this section shall take effect on the date of enact-
18 ment of this Act.

19 (2) COORDINATION WITH ELECTION PERI-
20 ODS.—The Executive Director shall by regulation
21 determine the first election period in which elections
22 may be made consistent with the amendments made
23 by this section.

24 (3) DEFINITIONS.—For purposes of this sec-
25 tion—

1 (A) the term “election period” means a pe-
2 riod afforded under section 8432(b) of title 5,
3 United States Code; and

4 (B) the term “Executive Director” has the
5 meaning given such term by section 8401(13)
6 of title 5, United States Code.

7 **SEC. 208. ELIGIBLE ROLLOVER DISTRIBUTIONS.**

8 Section 8432 of title 5, United States Code, is
9 amended by adding at the end the following:

10 “(j)(1) For the purpose of this subsection—

11 “(A) the term ‘eligible rollover distribution’ has
12 the meaning given such term by section 402(c)(3) of
13 the Internal Revenue Code of 1986; and

14 “(B) the term ‘eligible retirement plan’ has the
15 meaning given such term by section 402(c)(7) of the
16 Internal Revenue Code of 1986.

17 “(2) An employee or Member may contribute to the
18 Thrift Savings Fund an eligible rollover distribution from
19 an eligible retirement plan. A contribution made under
20 this subsection shall be made by means of a direct rollover
21 from an eligible retirement plan in a manner that is simi-
22 lar to a direct rollover under section 401(a)(31) of the In-
23 ternal Revenue Code of 1986. In the case of an eligible
24 rollover distribution, the maximum amount transferred to
25 the Thrift Savings Fund shall not exceed the amount

1 which would otherwise have been included in the employ-
2 ee's or Member's gross income for Federal income tax pur-
3 poses.

4 “(3) The Executive Director shall prescribe regula-
5 tions to carry out this subsection.”.

6 **SEC. 209. IMMEDIATE PARTICIPATION IN THE THRIFT SAV-**
7 **INGS PLAN.**

8 (a) ELIMINATION OF CERTAIN WAITING PERIODS
9 FOR PURPOSES OF EMPLOYEE CONTRIBUTIONS.—Para-
10 graph (4) of section 8432(b) of title 5, United States
11 Code, is amended to read as follows:

12 “(4) The Executive Director shall prescribe such reg-
13 ulations as may be necessary to carry out the following:

14 “(A) Notwithstanding subparagraph (A) of
15 paragraph (2), an employee or Member described in
16 such subparagraph shall be afforded a reasonable
17 opportunity to first make an election under this sub-
18 section beginning on the date of commencing service
19 or, if that is not administratively feasible, beginning
20 on the earliest date thereafter that such an election
21 becomes administratively feasible, as determined by
22 the Executive Director.

23 “(B) An employee or Member described in sub-
24 paragraph (B) of paragraph (2) shall be afforded a
25 reasonable opportunity to first make an election

1 under this subsection (based on the appointment or
2 election described in such subparagraph) beginning
3 on the date of commencing service pursuant to such
4 appointment or election or, if that is not administra-
5 tively feasible, beginning on the earliest date there-
6 after that such an election becomes administratively
7 feasible, as determined by the Executive Director.

8 “(C) Notwithstanding the preceding provisions
9 of this paragraph, contributions under paragraphs
10 (1) and (2) of subsection (c) shall not be payable
11 with respect to any pay period before the earliest
12 pay period for which such contributions would other-
13 wise be allowable under this subsection if this para-
14 graph had not been enacted.

15 “(D) Sections 8351(a)(2), 8440a(a)(2),
16 8440b(a)(2), 8440c(a)(2), and 8440d(a)(2) shall be
17 applied in a manner consistent with the purposes of
18 subparagraphs (A) and (B), to the extent those sub-
19 paragraphs can be applied with respect thereto.

20 “(E) Nothing in this paragraph shall affect
21 paragraph (3).”.

22 (b) TECHNICAL AND CONFORMING AMENDMENTS.—
23 (1) Section 8432(a) of title 5, United States Code, is
24 amended—

1 (A) in the first sentence by striking “(b)(1)”
2 and inserting “(b)”; and

3 (B) by amending the second sentence to read as
4 follows: “Contributions under this subsection pursu-
5 ant to such an election shall, with respect to each
6 pay period for which such election remains in effect,
7 be made in accordance with a program of regular
8 contributions provided in regulations prescribed by
9 the Executive Director.”.

10 (2) Section 8432(b)(1)(B) of title 5, United States
11 Code, is amended by inserting “(or any election allowable
12 by virtue of paragraph (4))” after “subparagraph (A)”.

13 (3) Section 8432(b)(3) of title 5, United States Code,
14 is amended by striking “Notwithstanding paragraph
15 (2)(A), an” and inserting “An”.

16 (4) Section 8432(i)(1)(B)(ii) of title 5, United States
17 Code, is amended by striking “either elected to terminate
18 individual contributions to the Thrift Savings Fund within
19 2 months before commencing military service or”.

20 (5) Section 8439(a)(1) of title 5, United States Code,
21 is amended by inserting “who makes contributions or”
22 after “for each individual” and by striking “section
23 8432(c)(1)” and inserting “section 8432”.

24 (6) Section 8439(c)(2) of title 5, United States Code,
25 is amended by adding at the end the following: “Nothing

1 in this paragraph shall be considered to limit the dissemi-
2 nation of information only to the times required under the
3 preceding sentence.”.

4 (7) Sections 8440a(a)(2) and 8440d(a)(2) of title 5,
5 United States Code, are amended by striking all after
6 “subject to” and inserting “this chapter.”.

7 (c) EFFECTIVE DATE.—This section shall take effect
8 6 months after the date of enactment of this Act or such
9 earlier date as the Executive Director (within the meaning
10 of section 8401(13) of title 5, United States Code) may
11 by regulation prescribe.

12 **TITLE III—INCREASING PORT-** 13 **ABILITY FOR PARTICIPANTS**

14 **SEC. 301. ROLLOVERS ALLOWED AMONG VARIOUS TYPES** 15 **OF PLANS.**

16 (a) ROLLOVERS FROM AND TO SECTION 457
17 PLANS.—

18 (1) ROLLOVERS FROM SECTION 457 PLANS.—

19 (A) IN GENERAL.—Section 457(e) (relat-
20 ing to other definitions and special rules) is
21 amended by adding at the end the following:

22 “(16) ROLLOVER AMOUNTS.—

23 “(A) GENERAL RULE.—In the case of an
24 eligible deferred compensation plan, if—

1 “(i) any portion of the balance to the
2 credit of an employee in such plan is paid
3 to such employee in an eligible rollover dis-
4 tribution (within the meaning of section
5 402(c)(4) (other than section
6 402(c)(4)(C)),

7 “(ii) the employee transfers any por-
8 tion of the property such employee receives
9 in such distribution to an eligible retire-
10 ment plan described in section
11 402(c)(8)(B), and

12 “(iii) in the case of a distribution of
13 property other than money, the amount so
14 transferred consists of the property distrib-
15 uted,

16 then such distribution (to the extent so trans-
17 ferred) shall not be includible in gross income
18 for the taxable year in which paid.

19 “(B) CERTAIN RULES MADE APPLICA-
20 BLE.—The rules of paragraphs (2) through (7)
21 (other than paragraph (4)(C)) and (9) of sec-
22 tion 402(c) and section 402(f) shall apply for
23 purposes of subparagraph (A).

24 “(C) REPORTING.—Rollovers under this
25 paragraph shall be reported to the Secretary in

1 the same manner as rollovers from qualified re-
2 tirement plans (as defined in section
3 4974(c)).”.

4 (B) DEFERRAL LIMIT DETERMINED WITH-
5 OUT REGARD TO ROLLOVER AMOUNTS.—Section
6 457(b)(2) (defining eligible deferred compensa-
7 tion plan) is amended by inserting “(other than
8 rollover amounts)” after “taxable year”.

9 (C) DIRECT ROLLOVER.—Paragraph (1) of
10 section 457(d) is amended by striking “and” at
11 the end of subparagraph (A), by striking the
12 period at the end of subparagraph (B) and in-
13 serting “, and”, and by inserting after subpara-
14 graph (B) the following:

15 “(C) the plan meets requirements similar
16 to the requirements of section 401(a)(31).

17 Any amount transferred in a direct trustee-to-trust-
18 ee transfer in accordance with section 401(a)(31)
19 shall not be includible in gross income for the tax-
20 able year of transfer.”.

21 (D) WITHHOLDING.—

22 (i) Paragraph (12) of section 3401(a)
23 is amended by adding at the end the fol-
24 lowing:

1 “(E) under or to an eligible deferred com-
2 pensation plan which, at the time of such pay-
3 ment, is a plan described in section 457(b);”.

4 (ii) Paragraph (5) of section 3405(e)
5 is amended by adding at the end the fol-
6 lowing: “Such term shall include an eligible
7 deferred compensation plan described in
8 section 457(b).”.

9 (iii) Paragraph (3) of section 3405(c)
10 is amended to read as follows:

11 “(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For
12 purposes of this subsection, the term ‘eligible roll-
13 over distribution’ has the meaning given such term
14 by section 402(f)(2)(A).”.

15 (iv) LIABILITY FOR WITHHOLDING.—
16 Subparagraph (B) of section 3405(d)(2) is
17 amended by striking “or” at the end of
18 clause (ii), by striking the period at the
19 end of clause (iii) and inserting “, or”, and
20 by adding at the end the following:

21 ‘(iv) section 457(b).’.

22 (2) ROLLOVERS TO SECTION 457 PLANS.—

23 (A) Section 402(c)(8)(B) (defining eligible
24 retirement plan) is amended by striking “and”
25 at the end of clause (iii), by striking the period

1 at the end of clause (iv) and inserting “, and”,
2 and by adding at the end the following:

3 “(v) an eligible deferred compensation
4 plan described in section 457(b) of an eli-
5 gible employer described in section
6 457(e)(1)(A).”.

7 (B) Paragraph (9) of section 402(c) is
8 amended by striking “except that” and all that
9 follows and inserting “except that only an ac-
10 count or annuity described in clause (i) or (ii)
11 of paragraph (8)(B) shall be treated as an eligi-
12 ble retirement plan with respect to such dis-
13 tribution.”.

14 (C) Subsection (t) of section 72 (relating
15 to 10-percent additional tax on early distribu-
16 tions from qualified retirement plans) is amend-
17 ed by adding at the end the following new para-
18 graph:

19 “(9) SPECIAL RULE FOR ROLLOVERS TO SEC-
20 TION 457 PLANS.—For purposes of this subsection,
21 a distribution from an eligible deferred compensation
22 plan (as defined in section 457(b)) of an employer
23 described in section 457(e)(1)(A) shall be treated as
24 a distribution from a qualified retirement plan to the
25 extent that such distribution is attributable to an

1 amount transferred to an eligible deferred compensa-
2 tion plan from a qualified retirement plan (as de-
3 fined in section 4974(c)). For purposes of this sub-
4 section, any such distribution shall be treated as if
5 made from a qualified retirement plan described in
6 section 4974(c)(1). This paragraph shall only apply
7 to a transfer that is in excess of \$50,000 and that
8 is permitted by reason of section 402(c)(8)(B)(v) or
9 section 408(d)(3)(A)(ii).”.

10 (D) Subsection (a) of section 457 (relating
11 to year of inclusion in gross income) is amend-
12 ed—

13 (i) by striking “or otherwise made
14 available”, and

15 (ii) by adding at the end the follow-
16 ing: “To the extent provided in section
17 72(t)(9), section 72(t) shall apply to any
18 amount includible in gross income under
19 this subsection.”.

20 (3) MINIMUM DISTRIBUTIONS.—Paragraph (2)
21 of section 457(d) is amended to read as follows:

22 “(2) MINIMUM DISTRIBUTION REQUIRE-
23 MENTS.—A plan meets the distribution requirements
24 of this paragraph if the plan meets the requirements
25 of section 401(a)(9).”.

1 (4) CONFORMING AMENDMENT.—Paragraph (9)
2 of section 457(e) is amended to read as follows:

3 “(9) BENEFITS NOT TREATED AS FAILING TO
4 MEET DISTRIBUTION REQUIREMENTS OF SUB-
5 SECTION (d).—A plan shall not be treated as failing
6 to meet the distribution requirements of subsection
7 (d) by reason of a distribution of the total amount
8 payable to a participant under the plan if—

9 “(A) such amount does not exceed the dol-
10 lar limit under section 411(a)(11)(A), and

11 “(B) such amount may be distributed only
12 if—

13 “(i) no amount has been deferred
14 under the plan with respect to such partici-
15 pant during the 2-year period ending on
16 the date of the distribution, and

17 “(ii) there has been no prior distribu-
18 tion under the plan to such participant to
19 which this paragraph applied.”.

20 (b) ALLOWANCE OF ROLLOVERS FROM AND TO
21 403(b) PLANS.—

22 (1) ROLLOVERS FROM SECTION 403(b)
23 PLANS.—Section 403(b)(8)(A)(ii) (relating to roll-
24 over amounts) is amended by striking “such dis-
25 tribution” and all that follows and inserting “such

1 distribution to an eligible retirement plan described
2 in section 402(c)(8)(B), and”.

3 (2) ROLLOVERS TO SECTION 403(b) PLANS.—

4 Section 402(c)(8)(B) (defining eligible retirement
5 plan), as amended by subsection (a), is amended by
6 striking “and” at the end of clause (iv), by striking
7 the period at the end of clause (v) and inserting “,
8 and”, and by adding at the end the following:

9 “(vi) an annuity contract described in
10 section 403(b).”

11 (3) CONFORMING AMENDMENT.—Subparagraph
12 (B) of section 403(b)(8) is amended by striking
13 “Rules similar to the” and inserting “The”.

14 (c) EXPANDED EXPLANATION TO RECIPIENTS OF
15 ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section
16 402(f) (relating to written explanation to recipients of dis-
17 tributions eligible for rollover treatment) is amended by
18 striking “and” at the end of subparagraph (C), by striking
19 the period at the end of subparagraph (D) and inserting
20 “, and”, and by adding at the end the following new sub-
21 paragraph:

22 “(E) of the provisions under which dis-
23 tributions from the eligible retirement plan re-
24 ceiving the distribution may be subject to re-
25 strictions and tax consequences which are dif-

1 ferent from those applicable to distributions
2 from the plan making such distribution.”.

3 (d) CONFORMING AMENDMENTS.—

4 (1) Section 72(o)(4) is amended by striking
5 “and 408(d)(3)” and inserting “403(b)(8),
6 408(d)(3), and 457(e)(16)”.

7 (2) Section 219(d)(2) is amended by striking
8 “or 408(d)(3)” and inserting “408(d)(3), or
9 457(e)(16)”.

10 (3) Section 401(a)(31)(B) is amended by strik-
11 ing “and 403(a)(4)” and inserting “, 403(a)(4),
12 403(b)(8), and 457(e)(16)”.

13 (4) Subparagraph (A) of section 402(f)(2) is
14 amended by striking “or paragraph (4) of section
15 403(a)” and inserting “, paragraph (4) of section
16 403(a), subparagraph (A) of section 403(b)(8), or
17 subparagraph (A) of section 457(e)(16)”.

18 (5) Paragraph (1) of section 402(f) is amended
19 by striking “from an eligible retirement plan”.

20 (6) Subparagraphs (A) and (B) of section
21 402(f)(1) are amended by striking “another eligible
22 retirement plan” and inserting “an eligible retire-
23 ment plan”.

24 (7) Subparagraph (B) of section 403(b)(8) is
25 amended by striking “shall apply for purposes of

1 subparagraph (A)” and inserting “and section
2 402(f) shall apply for purposes of subparagraph (A),
3 except that section 402(f) shall be applied to the
4 payor in lieu of the plan administrator”.

5 (8) Subparagraph (B) of section 403(b)(8) is
6 amended by inserting “and (9)” after “through
7 (7)”.

8 (9) Section 408(a)(1) is amended by striking
9 “or 403(b)(8)” and inserting “, 403(b)(8), or
10 457(e)(16)”.

11 (10) Subparagraphs (A) and (B) of section
12 415(b)(2) are each amended by striking “and
13 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and
14 457(e)(16)”.

15 (11) Section 415(c)(2) is amended by striking
16 “and 408(d)(3)” and inserting “408(d)(3), and
17 457(e)(16)”.

18 (12) Section 4973(b)(1)(A) is amended by
19 striking “or 408(d)(3)” and inserting “408(d)(3), or
20 457(e)(16)”.

21 (e) EFFECTIVE DATE; SPECIAL RULE.—

22 (1) EFFECTIVE DATE.—The amendments made
23 by this section shall apply to distributions after De-
24 cember 31, 1999.

1 (2) SPECIAL RULE.—Notwithstanding any other
2 provision of law, subsections (h)(3) and (h)(5) of
3 section 1122 of the Tax Reform Act of 1986 shall
4 not apply to any distribution from an eligible retire-
5 ment plan (as defined in clause (iii) or (iv) of section
6 402(c)(8)(B) of the Internal Revenue Code of 1986)
7 on behalf of an individual if there was a rollover to
8 such plan on behalf of such individual which is per-
9 mitted solely by reason of any amendment made by
10 this section.

11 **SEC. 302. ROLLOVERS OF IRAS INTO WORKPLACE RETIRE-**
12 **MENT PLANS.**

13 (a) IN GENERAL.— Subparagraph (A) of section
14 408(d)(3) (relating to rollover amounts) is amended by
15 adding “or” at the end of clause (i), by striking clauses
16 (ii) and (iii), and by adding at the end the following:

17 “(ii) the entire amount received (in-
18 cluding money and any other property) is
19 paid into an eligible retirement plan for
20 the benefit of such individual not later
21 than the 60th day after the date on which
22 he receives the payment or distribution.

23 For purposes of clause (ii), the term ‘eligible re-
24 tirement plan’ has the meaning given such term

1 by clauses (iii), (iv), (v), and (vi) of section
2 402(c)(8)(B).”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Paragraph (1) of section 403(b) is amended
5 by striking “section 408(d)(3)(A)(iii)” and inserting
6 “section 408(d)(3)(A)(ii)”.

7 (2) Clause (i) of section 408(d)(3)(D) is amend-
8 ed by striking “(i), (ii), or (iii)” and inserting “(i)
9 or (ii)”.

10 (3) Subparagraph (G) of section 408(d)(3) is
11 amended to read as follows:

12 “(G) SIMPLE RETIREMENT ACCOUNTS.—In
13 the case of any payment or distribution out of
14 a simple retirement account (as defined in sub-
15 section (p)) to which section 72(t)(6) applies,
16 this paragraph shall not apply unless such pay-
17 ment or distribution is paid into another simple
18 retirement account.”.

19 (c) EFFECTIVE DATE; SPECIAL RULE.—

20 (1) EFFECTIVE DATE.—The amendments made
21 by this section shall apply to distributions after De-
22 cember 31, 1999.

23 (2) SPECIAL RULE.—Notwithstanding any other
24 provision of law, subsections (h)(3) and (h)(5) of
25 section 1122 of the Tax Reform Act of 1986 shall

1 not apply to any distribution from an eligible retire-
2 ment plan (as defined in clause (iii) or (iv) of section
3 402(c)(8)(B) of the Internal Revenue Code of 1986)
4 on behalf of an individual if there was a rollover to
5 such plan on behalf of such individual which is per-
6 mitted solely by reason of the amendments made by
7 this section.

8 **SEC. 303. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.**

9 (a) IN GENERAL.—

10 (1) Subsection (c) of section 402 (relating to
11 rules applicable to rollovers from exempt trusts) (as
12 amended by section 2) is amended by striking para-
13 graph (2) and redesignating paragraphs (3) through
14 (10) as paragraphs (2) through (9), respectively.

15 (2) Paragraph (31) of section 401(a) (relating
16 to optional direct transfer of eligible rollover dis-
17 tributions) is amended by striking subparagraph (B)
18 and redesignating subparagraphs (C) and (D) as
19 subparagraphs (B) and (C), respectively.

20 (3) Subparagraph (B) of section 408(d)(3) (re-
21 lating to rollover contributions) is amended by strik-
22 ing “which was not includible in his gross income
23 because of the application of this paragraph” and in-
24 serting “to which this paragraph applied”.

1 (4) Paragraph (7)(B) of section 402(c) (as re-
2 designated by subsection (a)(1) and as amended by
3 section 301) is amended—

4 (A) by striking “The term” and inserting
5 “Except as provided in this subparagraph, the
6 term”, and

7 (B) by adding at the end the following:
8 “Arrangements described in clauses (iii), (iv)
9 (v), and (vi) shall not be treated as eligible re-
10 irement plans for purposes of receiving a roll-
11 over contribution of an eligible rollover distribu-
12 tion to the extent that such eligible rollover dis-
13 tribution is not includible in gross income (de-
14 termined without regard to paragraph (1)).”.

15 (5) Paragraph (2) of section 408(d) is amend-
16 ed—

17 (A) by striking “For purposes” and insert-
18 ing the following:

19 “(A) IN GENERAL.—Except as provided in
20 this paragraph, for purposes”,

21 (B) by striking “(A) all” and inserting “(i)
22 all”;

23 (C) by striking “(B) all” and inserting
24 “(ii) all”;

1 (D) by striking “(C) the” and inserting
2 “(iii) the”

3 (E) by striking “subparagraph (C)” and
4 inserting “clause (iii)”, and

5 (F) by inserting at the end the following:

6 “(B) APPLICATION OF SECTION 72.—For
7 purposes of applying section 72, if—

8 “(i) a distribution is made from an in-
9 dividual retirement plan, and

10 “(ii) a rollover contribution described
11 in paragraph (3) is made to an eligible re-
12 tirement plan described in section
13 402(c)(7)(B)(iii), (iv), (v), or (vi) with re-
14 spect to all or part of such distribution,

15 the includible amount in the individual’s indi-
16 vidual retirement plans shall be reduced by the
17 amount described in subparagraph (C). As of
18 the close of the calendar year in which the tax-
19 able year begins, the reduction of all amounts
20 described in subparagraph (C)(i) shall be ap-
21 plied prior to the computations described in
22 subparagraph (A)(iii). The amount of any dis-
23 tribution with respect to which there is a roll-
24 over contribution described in clause (ii) shall

1 not be treated as a distribution for purposes of
2 subparagraph (A).

3 “(C) AMOUNT DESCRIBED.—The amount
4 described in this subparagraph is the sum of—

5 “(i) the amount of the rollover con-
6 tribution described in subparagraph
7 (B)(ii), and

8 “(ii) in the case of any portion of the
9 distribution with respect to which there is
10 not a rollover contribution described in
11 paragraph (3), the amount of such portion
12 that is included in gross income under sec-
13 tion 72.

14 “(D) INCLUDIBLE AMOUNT.—For purposes
15 of this paragraph, the term ‘includible amount’
16 shall mean the amount that is not investment
17 in the contract (as defined in section 72).”.

18 (6) Subparagraph (C) of section 402(c)(5) (as
19 redesignated by subsection (a)(1)) is amended by in-
20 serting after “other than money” the following: “or
21 where the amount of the distribution exceeds the
22 amount of the rollover contribution”.

23 (b) HARDSHIP EXCEPTION TO 60-DAY RULE.—

24 (1) Paragraph (2) of section 402(c) (as so re-
25 designated) is amended to read as follows:

1 “(2) TRANSFER MUST BE MADE WITHIN 60
2 DAYS OF RECEIPT.—

3 “(A) IN GENERAL.—Except as provided in
4 subparagraph (B), paragraph (1) shall not
5 apply to any transfer of a distribution made
6 after the 60th day following the day on which
7 the distributee received the property distrib-
8 uted.

9 “(B) HARDSHIP EXCEPTION.—The Sec-
10 retary may waive the 60-day requirement under
11 subparagraph (A) where the failure to waive
12 such requirement would be against equity or
13 good conscience, including casualty, disaster, or
14 other events beyond the reasonable control of
15 the individual subject to such requirement.”.

16 (2) Paragraph (3) of section 408(d) (relating to
17 rollover contributions) is amended by adding at the
18 end the following new subparagraph:

19 “(H) WAIVER OF 60-DAY REQUIREMENT.—
20 The Secretary may waive the 60-day require-
21 ment under subparagraphs (A) and (D) where
22 the failure to waive such requirement would be
23 against equity or good conscience, including
24 casualty, disaster, or other events beyond the

1 reasonable control of the individual subject to
2 such requirement.”.

3 (c) CONFORMING AMENDMENTS.—

4 (1) Paragraph (4) of section 402(c) (as redesign-
5 nated by subsection (a)(1)) is amended by striking
6 “(8)(B)” and inserting “(7)(B)”.

7 (2) Subparagraph (B) of section 403(a)(4) is
8 amended by striking “(2) through (7)” and inserting
9 “(2) through (6)”.

10 (3) Section 403(b)(8)(A)(ii) (as amended by
11 section 301) is amended by striking “section
12 402(c)(8)(B)” and inserting “section 402(c)(7)(B)”.

13 (4) Subparagraph (B) of section 403(b)(8) (as
14 amended by section 301) is amended by striking
15 “(2) through (7) and (9) of section 402(c) (includ-
16 ing paragraph (4)(C) thereof)” and inserting “(2)
17 through (6) and (8) of section 402(c) (including
18 paragraph (3)(C) thereof)”.

19 (5) Subparagraph (A) of section 408(d)(3) (as
20 amended by section 302) is amended by striking
21 “402(c)(8)” and inserting “402(c)(7)”.

22 (6) Paragraph (16) of section 457(e) (as added
23 by section 301) is amended—

24 (A) in subparagraph (A)(i) by striking
25 “402(c)(4) (other than section 402(c)(4)(C))”

1 and inserting “section 402(c)(3) (other than
2 section 402(c)(3)(C))”.

3 (B) in subparagraph (A)(ii) by striking
4 “402(c)(8)(B)” and inserting “402(c)(7)(B)”,
5 and

6 (C) in subparagraph (B) by striking “para-
7 graphs (2) through (7) (other than paragraph
8 (4)(C)) and (9) of section 402(c)” and inserting
9 “paragraphs (2) through (6) (other than para-
10 graph (3)(C)) and (8) of section 402(c)”.

11 (d) EFFECTIVE DATE.—

12 (1) IN GENERAL.—Except as provided by para-
13 graph (2), the amendments made by this section
14 shall apply to distributions made after December 31,
15 1999.

16 (2) HARDSHIP EXCEPTION.—The amendments
17 made by subsection (b) shall apply to 60-day periods
18 ending after the date of the enactment of this Act.

19 **SEC. 304. TREATMENT OF FORMS OF DISTRIBUTION.**

20 (a) IN GENERAL.—

21 (1) PLAN TRANSFERS.—Paragraph (6) of sec-
22 tion 411(d) (relating to accrued benefit not to be de-
23 creased by amendment) is amended by adding at the
24 end the following:

25 “(D) PLAN TRANSFERS.—

1 “(i) A defined contribution plan (in
2 this subparagraph referred to as the
3 ‘transferee plan’) shall not be treated as
4 failing to meet the requirements of this
5 subsection merely because the transferee
6 plan does not provide some or all of the
7 forms of distribution previously available
8 under another defined contribution plan
9 (in this paragraph referred to as the
10 ‘transferor plan’) to the extent that—

11 “(I) the forms of distribution
12 previously available under the trans-
13 feror plan applied to the account of a
14 participant or beneficiary under the
15 transferor plan that was transferred
16 from the transferor plan to the trans-
17 feree plan pursuant to a direct trans-
18 fer rather than pursuant to a distribu-
19 tion from the transferor plan;

20 “(II) the terms of both the trans-
21 feror plan and the transferee plan au-
22 thorize the transfer described in sub-
23 clause (I);

24 “(III) the transfer described in
25 subclause (I) was made pursuant to a

1 voluntary election by the participant
2 or beneficiary whose account was
3 transferred to the transferee plan;

4 “(IV) the election described in
5 subclause (III) was made after the
6 participant or beneficiary received a
7 notice describing the consequences of
8 making the election;

9 “(V) if the transferor plan pro-
10 vides for an annuity as the normal
11 form of distribution under the plan in
12 accordance with section 417, the
13 transfer is made with the consent of
14 the participant’s spouse (if any), and
15 such consent meets requirements simi-
16 lar to the requirements imposed by
17 section 417(a)(2); and

18 “(VI) the transferee plan allows
19 the participant or beneficiary de-
20 scribed in subclause (III) to receive
21 any distribution to which the partici-
22 pant or beneficiary is entitled under
23 the transferee plan in the form of a
24 single sum distribution.

1 “(ii) Clause (i) shall apply to plan
2 mergers and other transactions having the
3 effect of a direct transfer, including con-
4 solidations of benefits attributable to dif-
5 ferent employers within a multiple em-
6 ployer plan.

7 “(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regula-
8 tions, a defined contribution plan shall not be
9 treated as failing to meet the requirements of
10 this section merely because of the elimination of
11 a form of distribution previously available there-
12 under. This subparagraph shall not apply to the
13 elimination of a form of distribution with re-
14 spect to any participant unless—

15 “(i) a single sum payment is available
16 to such participant at the same time or
17 times as the form of distribution being
18 eliminated; and
19 eliminated; and

20 “(ii) such single sum payment is
21 based on the same or greater portion of
22 the participant’s account as the form of
23 distribution being eliminated.”.

24 (2) REGULATIONS.—The last sentence of para-
25 graph (6)(B) of section 411(d) (relating to accrued

1 benefit not to be decreased by amendment) is
2 amended to read as follows: “The Secretary may by
3 regulations provide that this subparagraph shall not
4 apply to any plan amendment that does not ad-
5 versely affect the rights of participants in a material
6 manner.

7 (3) SECRETARY DIRECTED.—Not later than
8 December 31, 2001, the Secretary of the Treasury
9 is directed to issue final regulations under section
10 411(d)(6) of the Internal Revenue Code of 1986.
11 Such regulations shall apply to plan years beginning
12 after December 31, 2001 or such earlier date as is
13 specified by the Secretary of the Treasury. Under
14 such regulations, section 411(d)(6) of such Code
15 shall not apply to plan amendments that do not ad-
16 versely affect the rights of participants in a material
17 manner. In determining whether a plan amendment
18 has such a materially adverse effect on a participant,
19 the factors taken into account shall include—

20 (A) all of the participant’s early retirement
21 benefits, retirement-type subsidies, and optional
22 forms of benefit that are reduced or eliminated
23 by the plan amendment,

24 (B) the extent to which early retirement
25 benefits, retirement-type subsidies, and optional

1 forms of benefit in effect with respect to a par-
2 ticipant after the effective date of the plan
3 amendment provide rights that are comparable
4 to the rights that are reduced or eliminated by
5 the plan amendment,

6 (C) the number of years before the partici-
7 pant attains normal retirement age under the
8 plan (or early retirement age, as applicable),

9 (D) the size of the participant's benefit
10 that is affected by the plan amendment, in rela-
11 tion to the amount of the participant's com-
12 pensation, and

13 (E) the number of years before the plan
14 amendment is effective.

15 The regulations described in this paragraph are in-
16 tended to permit the elimination or reduction of
17 early retirement benefits, retirement-type subsidies,
18 and optional forms of benefit that do not have a ma-
19 terial value for a plan's participants but create sig-
20 nificant burdens and complexities for the plan and
21 its participants.

22 (b) CONFORMING AMENDMENT.—(1) Subsection (g)
23 of section 204 of the Employee Retirement Income Secu-
24 rity Act of 1974 (29 U.S.C. 1054) is amended by adding
25 at the end the following:

1 “(4)(A) A defined contribution plan (in this subpara-
2 graph referred to as the ‘transferee plan’) shall not be
3 treated as failing to meet the requirements of this sub-
4 section merely because the transferee plan does not pro-
5 vide some or all of the forms of distribution previously
6 available under another defined contribution plan (in this
7 paragraph referred to as the ‘transferor plan’) to the ex-
8 tent that—

9 “(i) the forms of distribution previously avail-
10 able under the transferor plan applied to the account
11 of a participant or beneficiary under the transferor
12 plan that was transferred from the transferor plan
13 to the transferee plan pursuant to a direct transfer
14 rather than pursuant to a distribution from the
15 transferor plan;

16 “(ii) the terms of both the transferor plan and
17 the transferee plan authorize the transfer described
18 in clause (i);

19 “(iii) the transfer described in clause (i) was
20 made pursuant to a voluntary election by the partici-
21 pant or beneficiary whose account was transferred to
22 the transferee plan;

23 “(iv) the election described in clause (iii) was
24 made after the participant or beneficiary received a

1 notice describing the consequences of making the
2 election;

3 “(v) if the transferor plan provides for an annu-
4 ity as the normal form of distribution under the plan
5 in accordance with section 205, the transfer is made
6 with the consent of the participant’s spouse (if any),
7 and such consent meets requirements similar to the
8 requirements imposed by section 205(c)(2); and

9 “(vi) the transferee plan allows the participant
10 or beneficiary described in clause (iii) to receive any
11 distribution which the participant or beneficiary is
12 entitled under transferee plan in the form of a single
13 sum distribution.

14 “(B) Subparagraph (A) shall apply to plan mergers
15 and other transactions having the effect of a direct trans-
16 fer, including consolidations of benefits attributable to dif-
17 ferent employers within a multiple employer plan.

18 “(5) Except to the extent provided in regulations, a
19 defined contribution plan shall not be treated as failing
20 to meet the requirements of this section merely because
21 of the elimination of a form of distribution previously
22 available thereunder. This paragraph shall not apply to
23 the elimination of a form of distribution with respect to
24 any participant unless—

1 “(A) a single sum payment is available to such
2 participant at the same time or times as the form
3 of distribution being eliminated; and

4 “(B) such single sum payment is based on the
5 same or greater portion of the participant’s account
6 as the form of distribution being eliminated.”.

7 (2) Paragraph (2) of section 204(g) of the Employee
8 Retirement Income Security Act of 1974 (29 U.S.C. 1054)
9 is amended by striking the last sentence and inserting the
10 following: “The Secretary of the Treasury may by regula-
11 tions provide that this paragraph shall not apply to any
12 plan amendment that does not adversely affect the rights
13 of participants in a material manner.”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to years beginning after December
16 31, 1999.

17 **SEC. 305. RATIONALIZATION OF RESTRICTIONS ON DIS-**
18 **TRIBUTIONS.**

19 (a) MODIFICATION OF SAME DESK EXCEPTION.—

20 (1) SECTION 401(k).—Section
21 401(k)(2)(B)(i)(I) (relating to qualified cash or de-
22 ferred arrangements) is amended by striking “sepa-
23 ration from service” and inserting “severance from
24 employment”.

25 (2) SECTION 403(b).—

1 (A) Paragraphs (7)(A)(ii) and (11)(A) of
2 section 403(b) are each amended by striking
3 “separates from service” and inserting “has a
4 severance from employment”.

5 (B) The heading for paragraph (11) of
6 section 403(b) is amended by striking “SEPARA-
7 TION FROM SERVICE” and inserting “SEVER-
8 ANCE FROM EMPLOYMENT”.

9 (3) SECTION 457.—Clause (ii) of section
10 457(d)(1)(A) is amended by striking “is separated
11 from service” and inserting “has a severance from
12 employment”.

13 (b) BUSINESS SALE REQUIREMENTS REPEALED.—

14 (1) IN GENERAL.—Section 401(k)(2)(B)(i)(II)
15 (relating to qualified cash or deferred arrangements)
16 is amended by striking “an event” and inserting “a
17 plan termination”.

18 (2) CONFORMING AMENDMENTS.—Section
19 401(k)(10) is amended—

20 (A) by striking subparagraph (A) and in-
21 serting the following:

22 “(A) IN GENERAL.—A plan termination is
23 described in this paragraph if the termination
24 of the plan does not involve the establishment
25 or maintenance of another defined contribution

1 plan (other than an employee stock ownership
2 plan as defined in section 4975(e)(7)).”,

3 (B) in subparagraph (B)—

4 (i) by striking “An event” and insert-
5 ing “A termination”, and

6 (ii) by striking “the event” and insert-
7 ing “the termination”,

8 (C) by striking subparagraph (C), and

9 (D) by striking “OR DISPOSITION OF AS-
10 SETS OR SUBSIDIARY” in the heading.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to distributions after December 31,
13 1999.

14 **SEC. 306. PURCHASE OF SERVICE CREDIT IN GOVERN-**
15 **MENTAL DEFINED BENEFIT PLANS.**

16 (a) 403(b) PLANS.—Subsection (b) of section 403 (as
17 amended by section 501) is amended by adding at the end
18 the following new paragraph:

19 “(14) TRUSTEE-TO-TRUSTEE TRANSFERS TO
20 PURCHASE PERMISSIVE SERVICE CREDIT.—No
21 amount shall be includible in gross income by reason
22 of a direct trustee-to-trustee transfer to a defined
23 benefit governmental plan (as defined in section
24 414(d)) if such transfer is—

1 “(A) for the purchase of permissive service
2 credit (as defined in section 415(n)(3)(A))
3 under such plan, or

4 “(B) a repayment to which section 415
5 does not apply by reason of subsection (k)(3)
6 thereof.”.

7 (b) 457 PLANS.—

8 (1) Subsection (e) of section 457 (as amended
9 by section 509) is amended by adding at the end the
10 following new paragraph:

11 “(18) TRUSTEE-TO-TRUSTEE TRANSFERS TO
12 PURCHASE PERMISSIVE SERVICE CREDIT.—No
13 amount shall be includible in gross income by reason
14 of a direct trustee-to-trustee transfer to a defined
15 benefit governmental plan (as defined in section
16 414(d)) if such transfer is—

17 “(A) for the purchase of permissive service
18 credit (as defined in section 415(n)(3)(A))
19 under such plan, or

20 “(B) a repayment to which section 415
21 does not apply by reason of subsection (k)(3)
22 thereof.”.

23 (2) Section 457(b)(2), as amended by sections
24 101, 202, and 301, is amended by striking “(other
25 than rollover amounts)” and inserting “(other than

1 portion of such amount which is not attributable to
2 rollover contributions (as defined in section
3 411(a)(11)(D))”.

4 (b) AMENDMENT TO ERISA.—Section 203(e) of the
5 Employee Retirement Income Security Act of 1974 (29
6 U.S.C. 1053(e)) is amended by adding at the end the fol-
7 lowing:

8 “(4) A plan shall not fail to meet the requirements
9 of this subsection if, under the terms of the plan, the
10 present value of the nonforfeitable accrued benefit is de-
11 termined without regard to that portion of such benefit
12 which is attributable to rollover contributions (and earn-
13 ings allocable thereto). For purposes of this paragraph,
14 the term ‘rollover contributions’ means any rollover con-
15 tribution under sections 402(c), 403(a)(4), 403(b)(8),
16 clause (ii), (iii), or (iv) of 408(d)(3)(A), and 457(e)(16)
17 of the Internal Revenue Code of 1986.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to distributions after December 31,
20 1999.

1 **TITLE IV—STRENGTHENING**
 2 **PENSION SECURITY AND EN-**
 3 **FORCEMENT**

4 **SEC. 401. REPEAL OF 150 PERCENT OF CURRENT LIABILITY**
 5 **FUNDING LIMIT.**

6 (a) IN GENERAL.—

7 (1) CODE AMENDMENT.—Section 412(c)(7) (re-
 8 lating to full-funding limitation) is amended—

9 (A) by striking “the applicable percentage”
 10 in subparagraph (A)(i)(I) and inserting “in the
 11 case of plan years beginning before January 1,
 12 2003, the applicable percentage”, and

13 (B) by amending subparagraph (F) to read
 14 as follows:

15 “(F) APPLICABLE PERCENTAGE.—For
 16 purposes of subparagraph (A)(i)(I), the applica-
 17 ble percentage shall be determined in accord-
 18 ance with the following table:

“In the case of any plan year beginning in—	The applicable percentage is—
2000	160
2001	165
2002	170.”.

19 (2) ERISA AMENDMENT.—Section 302(c)(7) of
 20 the Employee Retirement Income Security Act of
 21 1974 (29 U.S.C. 1082(c)(7)) is amended—

22 (A) by striking “the applicable percentage”
 23 in subparagraph (A)(i)(I) and inserting “in the

1 case of plan years beginning before January 1,
 2 2003, the applicable percentage”, and

3 (B) by amending subparagraph (F) to read
 4 as follows:

5 “(F) APPLICABLE PERCENTAGE.—For purposes
 6 of subparagraph (A)(i)(I), the applicable percentage
 7 shall be determined in accordance with the following
 8 table:

“In the case of any plan year beginning in—	The applicable percentage is—
2000	160
2001	165
2002	170.”.

9 (3) EFFECTIVE DATES.—The amendments
 10 made by this subsection shall apply to plan years be-
 11 ginning after December 31, 1999.

12 (b) MAXIMUM CONTRIBUTION DEDUCTION RULES
 13 MODIFIED AND APPLIED TO ALL DEFINED BENEFIT
 14 PLANS.—

15 (1) IN GENERAL.—Section 404(a)(1)(D) (relat-
 16 ing to special rule in case of certain plans) is amend-
 17 ed—

18 (A) by striking “which has more than 100
 19 participants for the plan year”,

20 (B) by striking “unfunded current liability
 21 determined under section 414(l)” and inserting
 22 “unfunded termination liability (determined as
 23 if the proposed termination date referred to in

1 section 4041(b)(2)(A)(i)(II) of the Employee
2 Retirement Income Security Act of 1974 were
3 the last day of the plan year’’,

4 (C) by inserting after the first sentence the
5 following: “For purposes of this subparagraph,
6 in the case of a plan which has less than 100
7 participants for the plan year, termination li-
8 ability shall not include the liability attributable
9 to benefit increases for highly compensated em-
10 ployees (as defined in section 414(q)) brought
11 about by plan amendment within the last 2
12 years before the termination date.’’, and

13 (D) by striking “(other than a multiem-
14 ployer plan)’’.

15 (2) CONFORMING AMENDMENT.—Paragraph (6)
16 of section 4972(c) is amended by striking the sen-
17 tence preceding the last sentence thereof.

18 (3) EFFECTIVE DATE.—The amendments made
19 by this subsection shall apply to plan years begin-
20 ning after the date of enactment of this Act.

21 **SEC. 402. MISSING PARTICIPANTS.**

22 (a) IN GENERAL.—Section 4050 of the Employee Re-
23 tirement Income Security Act of 1974 (29 U.S.C. 1350)
24 is amended by redesignating subsection (c) as subsection
25 (e) and by inserting after subsection (b) the following:

1 “(c) MULTIEMPLOYER PLANS.—The corporation
2 shall prescribe rules similar to the rules in subsection (a)
3 for multiemployer plans covered by this title that termi-
4 nate under section 4041A.

5 “(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

6 “(1) TRANSFER TO CORPORATION.—The plan
7 administrator of a plan described in paragraph (4)
8 may elect to transfer a missing participant’s benefits
9 to the corporation upon termination of the plan.

10 “(2) INFORMATION TO THE CORPORATION.—To
11 the extent provided in regulations, the plan adminis-
12 trator of a plan described in paragraph (4) shall,
13 upon termination of the plan, provide the corpora-
14 tion information with respect to benefits of a miss-
15 ing participant if the plan transfers such benefits—

16 “(A) to the corporation, or

17 “(B) to an entity other than the corpora-
18 tion or a plan described in paragraph (4)(B)(ii).

19 “(3) PAYMENT BY THE CORPORATION.—If ben-
20 efits of a missing participant were transferred to the
21 corporation under paragraph (1), the corporation
22 shall, upon location of the participant or beneficiary,
23 pay to the participant or beneficiary the amount
24 transferred (or the appropriate survivor benefit) ei-
25 ther—

1 “(A) in a single sum (plus interest), or

2 “(B) in such other form as is specified in
3 regulations of the corporation.

4 “(4) PLANS DESCRIBED.—A plan is described
5 in this paragraph if—

6 “(A) the plan is a pension plan (within the
7 meaning of section 3(2))—

8 “(i) to which the provisions of this
9 section do not apply (without regard to
10 this subsection), and

11 “(ii) which is not a plan described in
12 paragraphs (2) through (11) of section
13 4021(b), and

14 “(B) at the time the assets are to be dis-
15 tributed upon termination, the plan—

16 “(i) has missing participants, and

17 “(ii) has not provided for the transfer
18 of assets to pay the benefits of all missing
19 participants to another pension plan (with-
20 in the meaning of section 3(2)).

21 “(5) CERTAIN PROVISIONS NOT TO APPLY.—
22 Subsections (a)(1) and (a)(3) shall not apply to a
23 plan described in paragraph (4).”.

24 (b) CONFORMING AMENDMENTS.—

1 (1) Section 206(f) of the Employee Retirement
2 Income Security Act of 1974 (29 U.S.C. 1056(f)) is
3 amended—

4 (A) by striking “title IV” and inserting
5 “section 4050”, and

6 (B) by striking “the plan shall provide
7 that”.

8 (2) Section 401(a)(34) of such Act (relating to
9 benefits of missing participants on plan termination)
10 is amended by striking “title IV” and inserting “sec-
11 tion 4050”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to distributions made after final
14 regulations implementing subsections (c) and (d) of sec-
15 tion 4050 of the Employee Retirement Income Security
16 Act of 1974 (as added by subsection (a)), respectively, are
17 prescribed.

18 **SEC. 403. PERIODIC PENSION BENEFITS STATEMENTS.**

19 (a) IN GENERAL.—Section 105(a) of the Employee
20 Retirement Income Security Act of 1974 (29 U.S.C.
21 1025(a)) is amended by striking “shall furnish to any plan
22 participant or beneficiary who so requests in writing, a
23 statement” and inserting “shall furnish to each plan par-
24 ticipant at least once each year (in the case of a defined
25 contribution plan) and upon written request of a plan par-

1 ticipant or beneficiary (in the case of a defined benefit
2 plan), a statement in written or electronic form”.

3 (b) REQUIRED PERIODIC STATEMENTS FOR PLANS
4 WITH MORE THAN ONE UNAFFILIATED EMPLOYER.—
5 Section 105(d) of the Employee Retirement Income Secu-
6 rity Act of 1974 (29 U.S.C. 1025(d)) is repealed.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to plan years beginning after De-
9 cember 31, 1999.

10 **SEC. 404. CIVIL PENALTIES FOR BREACH OF FIDUCIARY**
11 **RESPONSIBILITY.**

12 (a) IMPOSITION AND AMOUNT OF PENALTY MADE
13 DISCRETIONARY.—Section 502(l)(1) of the Employee Re-
14 tirement Income Security Act of 1974 (29 U.S.C.
15 1132(l)(1)) is amended—

16 (1) by striking “shall” and inserting “may”,
17 and

18 (2) by striking “equal to” and inserting “not
19 greater than”.

20 (b) APPLICABLE RECOVERY AMOUNT.—Section
21 502(l)(2) of such Act (29 U.S.C. 1132(l)(2)) is amended
22 to read as follows:

23 “(2) For purposes of paragraph (1), the term ‘appli-
24 cable recovery amount’ means any amount which is recov-
25 ered from any fiduciary or other person (or from any other

1 person on behalf of any such fiduciary or other person)
2 with respect to a breach or violation described in para-
3 graph (1) on or after the 30th day following receipt by
4 such fiduciary or other person of written notice from the
5 Secretary of the violation, whether paid voluntarily or by
6 order of a court in a judicial proceeding instituted by the
7 Secretary under subsection (a)(2) or (a)(5). The Secretary
8 may, in the Secretary's sole discretion, extend the 30-day
9 period described in the preceding sentence.”.

10 (c) OTHER RULES.—Section 502(l) of the Employee
11 Retirement Income Security Act of 1974 (29 U.S.C.
12 1132(l)) is amended by adding at the end the following:

13 “(5) A person shall be jointly and severally liable for
14 the penalty described in paragraph (1) to the same extent
15 that such person is jointly and severally liable for the ap-
16 plicable recovery amount on which the penalty is based.

17 “(6) No penalty shall be assessed under this sub-
18 section unless the person against whom the penalty is as-
19 sessed is given notice and opportunity for a hearing with
20 respect to the violation and applicable recovery amount.”.

21 (d) EFFECTIVE DATES.—

22 (1) IN GENERAL.—The amendments made by
23 this section shall apply to any breach of fiduciary re-
24 sponsibility or other violation of part 4 of subtitle B
25 of title I of the Employee Retirement Income Secu-

1 rity Act of 1974 occurring on or after the date of
2 enactment of this Act.

(2) TRANSITION RULE.—In applying the amendment made by subsection (b) (relating to applicable recovery amount), a breach or other violation occurring before the date of enactment of this Act which continues after the 180th day after such date (and which may have been discontinued at any time during its existence) shall be treated as having occurred after such date of enactment.

11 SEC. 405. PENALTY TAX RELIEF FOR SOUND PENSION
12 FUNDING.

(a) IN GENERAL.—Subsection (c) of section 4972 (relating to nondeductible contributions) is amended by adding at the end the following new paragraph:

“(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts

1 contributed to defined contribution plans and then
2 to amounts described in this paragraph. If an em-
3 ployer makes an election under this paragraph for a
4 taxable year, paragraph (6) shall not apply to such
5 employer for such taxable year.”.

6 (b) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to years beginning after December
8 31, 1999.

9 **SEC. 406. PROTECTION OF INVESTMENT OF EMPLOYEE**
10 **CONTRIBUTIONS TO 401(K) PLANS.**

11 (a) IN GENERAL.—Section 1524(b) of the Taxpayer
12 Relief Act of 1997 is amended to read as follows:

13 “(b) EFFECTIVE DATE.—

14 “(1) IN GENERAL.—Except as provided in para-
15 graph (2), the amendments made by this section
16 shall apply to elective deferrals for plan years begin-
17 ning after December 31, 1998.

18 “(2) NONAPPLICATION TO PREVIOUSLY AC-
19 QUIRED PROPERTY.—The amendments made by this
20 section shall not apply to any elective deferral if
21 such deferral is used for the payment of indebted-
22 ness incurred before January 1, 1999 (or any refi-
23 nancing thereof) on the acquisition by the plan of
24 employer securities or employer real property—

25 “(A) before January 1, 1999, or

1 “(B) after such date pursuant to a written
2 contract which was binding on such date and at
3 all times thereafter on such plan.”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall apply as if included in the provision of
6 the Taxpayer Relief Act of 1997 to which it relates.

7 **SEC. 407. NOTICE OF SIGNIFICANT REDUCTION IN BENEFIT**
8 **ACCRUALS.**

9 (a) IN GENERAL.—Subsection (h) of section 204 of
10 the Employee Retirement Income Security Act of 1974
11 (29 U.S.C. 1054) is amended to read as follows:

12 “(h) NOTICE OF SIGNIFICANT REDUCTION IN BENE-
13 FIT ACCRUALS.—

14 “(1) If a plan described in paragraph (4) is
15 amended to provide for a significant reduction in the
16 rate of future benefit accrual, the plan administrator
17 shall provide a notice to—

18 “(A) each affected participant in the plan,

19 “(B) each affected beneficiary who is an
20 alternate payee (within the meaning of section
21 206(d)(3)(K)) under an applicable qualified do-
22 mestic relations order (within the meaning of
23 section 206(d)(3)(B)(i)), and

24 “(C) each employee organization represent-
25 ing affected participants in the plan, except

1 that such notice shall instead be provided to a
2 person designated to receive such notice on be-
3 half of any person referred to in paragraph (A),
4 (B), or (C). For purposes of this paragraph, an
5 affected participant or beneficiary is a partici-
6 pant or beneficiary to whom the significant re-
7 duction described in this paragraph is reason-
8 ably expected to apply.

9 “(2) The notice required by paragraph (1)
10 shall—

11 “(A) include the plan amendment, or a
12 summary of such plan amendment, and its ef-
13 fective date, and

14 “(B) provide a notification and description
15 of the reduction described in paragraph (1).

16 A notification and description shall not fail to satisfy
17 paragraph (2)(B) by reason of a failure to provide
18 the specific amount of the reduction with respect to
19 any participant or beneficiary.

20 “(3) The notice required by paragraph (1) shall
21 be provided no less than 30 days prior to the effec-
22 tive date of the plan amendment.

23 “(4) A plan is described in this paragraph if
24 such plan is—

25 “(A) a defined benefit plan, or

1 “(B) an individual account plan which is
2 subject to the funding standards of section 302.

3 “(5) In the case of a material failure to comply
4 with requirements of this subsection with respect to
5 more than a de minimis number of persons described
6 in paragraph (1), the plan amendment to which the
7 failure relates shall not be effective with respect to
8 such persons for any period prior to the expiration
9 of 30 days following the date on which a notice is
10 provided in accordance with this subsection. For
11 purposes of this paragraph, the term ‘material fail-
12 ure’ includes any failure that results in materially
13 less information being provided to the persons de-
14 scribed in paragraph (1).”.

15 (b) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to plan amendments that are
17 adopted more than 120 days after the date of enactment
18 of this Act.

19 **TITLE V—REDUCING** 20 **REGULATORY BURDENS**

21 **SEC. 501. INTERMEDIATE SANCTIONS FOR INADVERTENT** 22 **FAILURES.**

23 (a) IN GENERAL.—Section 401(a) (relating to quali-
24 fied pension, profit-sharing, and stock bonus plans) is
25 amended by inserting after paragraph (34) the following:

1 “(35) PROTECTION FROM DISQUALIFICATION
2 UPON TIMELY CORRECTION OR PAYMENT OF FINE.—
3 A trust shall not fail to constitute a qualified trust
4 under this section if the plan of which such trust is
5 a part has made good faith efforts to meet the re-
6 quirements of this section, has inadvertently failed
7 to satisfy 1 or more of such requirements, and ei-
8 ther—

9 “(A) substantially corrects (to the extent
10 possible) such failure before the date the plan
11 becomes subject to a plan examination for the
12 applicable year (as determined under rules pre-
13 scribed by the Secretary), or

14 “(B) substantially corrects (to the extent
15 possible) such failure on or after such date.

16 If the plan satisfies the requirement under subpara-
17 graph (B), the Secretary may require the sponsoring
18 employer to make a payment to the Secretary in an
19 amount that does not exceed an amount that bears
20 a reasonable relationship to the severity of the plan’s
21 failure to satisfy the requirements of this section.”.

22 (b) APPLICATION TO CASH OR DEFERRED ARRANGE-
23 MENTS.—Section 401(k) is amended by inserting after
24 paragraph (12) the following new paragraph:

1 “(13) PROTECTION FROM DISQUALIFICATION.—
2 Rules similar to the rules set forth in section
3 401(a)(35) shall apply for purposes of determining
4 whether a cash or deferred arrangement is a quali-
5 fied cash or deferred arrangement.”.

6 (c) APPLICATION TO SECTION 403(b) ANNUITY CON-
7 TRACTS.—Section 403(b) is amended by inserting after
8 paragraph (12) the following:

9 “(13) CORRECTION OF ERRORS.—For purposes
10 of determining whether the exclusion from gross in-
11 come under paragraph (1) is applicable to an em-
12 ployee for any taxable year, rules similar to the rules
13 set forth in section 401(a)(35) shall apply to any an-
14 nuity contract purchased under this subsection or
15 any plan established to meet the requirements of
16 this subsection.”.

17 (d) INCOME INCLUSION FOR DISQUALIFICATION NOT
18 APPLICABLE TO NONHIGHLY COMPENSATED EMPLOY-
19 EES.—Section 402(b) (relating to taxability of beneficiary
20 of nonexempt trust) is amended by striking paragraph (4)
21 and inserting the following:

22 “(4) INCOME INCLUSION FOR DISQUALIFICA-
23 TION NOT APPLICABLE TO NONHIGHLY COM-
24 PENSATED EMPLOYEES.—Paragraphs (1) and (2)

1 shall not apply to employees who are not highly com-
2 pensated employees.

3 “(5) FAILURE TO MEET REQUIREMENTS OF
4 SECTION 401(a)(26) OR 410(b).—If 1 of the reasons
5 a trust is not exempt from tax under section 501(a)
6 is the failure of the plan to meet the requirements
7 of section 401(a)(26) or 410(b), then a highly com-
8 pensated employee shall, in lieu of the amount deter-
9 mined under paragraph (1) or (2), include in gross
10 income for the taxable year with or within which the
11 taxable year of the trust ends an amount equal to
12 the vested accrued benefit of such employee (other
13 than the employee’s investment in the contract) as
14 of the close of such taxable year of the trust.

15 “(6) HIGHLY COMPENSATED EMPLOYEE.—For
16 purposes of this subsection, the term ‘highly com-
17 pensated employee’ has the meaning given such term
18 by section 414(q).”.

19 (e) EFFECTIVE DATE.—The amendments made by
20 this section shall take effect on the date of enactment of
21 this Act.

22 **SEC. 502. REPEAL OF THE MULTIPLE USE TEST.**

23 (a) IN GENERAL.—Paragraph (9) of section 401(m)
24 is amended to read as follows:

1 “(9) REGULATIONS.—The Secretary shall pre-
2 scribe such regulations as may be necessary to carry
3 out the purposes of this subsection and subsection
4 (k), including regulations permitting appropriate ag-
5 gregation of plans and contributions.”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to years beginning after December
8 31, 1999.

9 **SEC. 503. SAFETY VALVE FROM MECHANICAL RULES.**

10 (a) IN GENERAL.—The Secretary of the Treasury, by
11 regulation, shall provide that the plan shall be deemed to
12 satisfy the requirements of section 401(a)(4) of the Inter-
13 nal Revenue Code of 1986 if such plan satisfies the facts
14 and circumstances test under section 401(a)(4) of such
15 Code, as in effect before January 1, 1994, if—

16 (1) the plan satisfies conditions prescribed by
17 the Secretary to appropriately limit the availability
18 of such test, and

19 (2) the plan is submitted to the Secretary for
20 a determination of whether it satisfies such test.

21 Paragraph (2) shall only apply to the extent provided by
22 the Secretary.

23 (b) EFFECTIVE DATES.—

1 (1) REGULATIONS.—The regulation required by
2 subsection (a) shall apply to years beginning after
3 December 31, 2000.

4 (2) CONDITIONS OF AVAILABILITY.—Any condi-
5 tion of availability prescribed by the Secretary under
6 subsection (a)(1) shall not apply before the first year
7 beginning not less than 120 days after the date on
8 which such condition is prescribed.

9 **SEC. 504. REFORM OF THE LINE OF BUSINESS RULES.**

10 (a) REPEAL OF GATEWAY TEST.—Paragraph (5) of
11 section 410(b) is amended to read as follows:

12 “(5) LINE OF BUSINESS EXCEPTION.—If, under
13 section 414(r), an employer is treated as operating
14 separate lines of business for a year, the employer
15 may apply the requirements of this subsection for
16 such year separately with respect to employees in
17 each separate line of business.”.

18 (b) REGULATIONS.—The Secretary of the Treasury
19 shall modify the regulations issued under section 414(r)
20 of the Internal Revenue Code of 1986 (relating to special
21 rules for separate line of business) to—

22 (1) simplify the administrability of the rules for
23 both the Secretary and plans, and

1 (2) permit employees to be allocated among
2 lines of business based on all the facts and cir-
3 cumstances.

4 (c) EFFECTIVE DATES.—

5 (1) REPEAL.—The repeal made by subsection
6 (a) shall apply to years beginning after December
7 31, 2000.

8 (2) REGULATIONS.—The regulations modified
9 under subsection (b) shall apply to years beginning
10 after December 31, 2000.

11 **SEC. 505. COVERAGE TEST FLEXIBILITY.**

12 (a) IN GENERAL.—Paragraph (1) of section 410(b)
13 is amended by adding at the end the following:

14 “(D) In the case that the plan fails to
15 meet the requirements of subparagraphs (A),
16 (B) and (C), the plan—

17 “(i) satisfies subparagraph (B), as in
18 effect immediately before the enactment of
19 the Tax Reform Act of 1986,

20 “(ii) is submitted to the Secretary for
21 a determination of whether it satisfies the
22 requirement described in clause (i), and

23 “(iii) satisfies conditions prescribed by
24 the Secretary by regulation that appro-

1 priately limit the availability of this sub-
2 paragraph.

3 Clause (ii) shall apply only to the extent pro-
4 vided by the Secretary.”.

5 (b) EFFECTIVE DATES.—

6 (1) IN GENERAL.—The amendment made by
7 subsection (a) shall apply to years beginning after
8 December 31, 2000.

9 (2) CONDITIONS OF AVAILABILITY.—Any condi-
10 tion of availability prescribed by the Secretary under
11 regulations prescribed by the Secretary under sec-
12 tion 410(a)(1)(D) of the Internal Revenue Code of
13 1986 shall not apply before the first year beginning
14 not less than 120 days after the date on which such
15 condition is prescribed.

16 **SEC. 506. INCREASE IN RETIREMENT PLAN CASH-OUT**
17 **AMOUNT.**

18 (a) AMENDMENTS TO 1986 CODE.—Section
19 411(a)(11) (relating to restrictions on certain mandatory
20 distributions) is amended by adding at the end the follow-
21 ing:

22 “(D) INFLATION ADJUSTMENT.—In the
23 case of any plan year beginning in a calendar
24 year after 1999, the Secretary shall adjust an-
25 nually the \$5,000 amount contained in subpara-

1 graph (A) for increases in the cost of living at
2 the same time and in the same manner as ad-
3 justments under section 415(d); except that the
4 base period shall be the calendar quarter ending
5 September 30, 1999, and any increase which is
6 not a multiple of \$500 shall be rounded to the
7 next lowest multiple of \$500.”.

8 (b) AMENDMENTS TO ERISA.—Section 203(e) of the
9 Employee Retirement Income Security Act of 1974 (29
10 U.S.C. 1053(e)) is amended by adding at the end the fol-
11 lowing:

12 “(4) INFLATION ADJUSTMENT.—In the case of any
13 plan year beginning in a calendar year after 1999, the
14 Secretary shall adjust annually the \$5,000 amount con-
15 tained in paragraph (1) for increases in the cost of living
16 at the same time and in the same manner as adjustments
17 under section 415(d) of the Internal Revenue Code of
18 1986; except that the base period shall be the calendar
19 quarter ending September 30, 1999, and any increase
20 which is not a multiple of \$500 shall be rounded to the
21 next lowest multiple of \$500.”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to plan years beginning on or after
24 the date of enactment of this Act.

1 **SEC. 507. MODIFICATION OF TIMING OF PLAN VALUATIONS.**

2 (a) IN GENERAL.—Section 412(c)(9) (relating to an-
3 nual valuation) is amended—

4 (1) by striking “For purposes” and inserting
5 the following:

6 “(A) IN GENERAL.—For purposes”, and

7 (2) by adding at the end the following:

8 “(B) ELECTION TO USE PRIOR YEAR
9 VALUATION.—

10 “(i) IN GENERAL.—If, for any plan
11 year—

12 “(I) an election is in effect under
13 this subparagraph with respect to a
14 plan, and

15 “(II) the assets of the plan are
16 not less than 125 percent of the
17 plan’s current liability (as defined in
18 paragraph (7)(B)), determined as of
19 the valuation date for the preceding
20 plan year, then this section shall be
21 applied using the information avail-
22 able as of such valuation date.

23 “(ii) ADJUSTMENTS.—Information
24 under clause (i) shall, in accordance with
25 regulations, be actuarially adjusted to re-
26 flect significant differences in participants.

1 “(iii) ELECTION.—An election under
2 this subparagraph, once made, shall be ir-
3 revocable without the consent of the Sec-
4 retary.”.

5 (b) AMENDMENTS TO ERISA.—Paragraph (9) of
6 section 302(c) of the Employee Retirement Income Secu-
7 rity Act of 1974 (29 U.S.C. 1053(c)) is amended—

8 (1) by inserting “(A)” after “(9)”, and

9 (2) by adding at the end the following:

10 “(B)(i) If, for any plan year—

11 “(I) an election is in effect under this subpara-
12 graph with respect to a plan, and

13 “(II) the assets of the plan are not less than
14 125 percent of the plan’s current liability (as defined
15 in paragraph (7)(B)), determined as of the valuation
16 date for the preceding plan year,

17 then this section shall be applied using the information
18 available as of such valuation date.

19 “(ii) Information under clause (i) shall, in accordance
20 with regulations, be actuarially adjusted to reflect signifi-
21 cant differences in participants.

22 “(iii) An election under this subparagraph, once
23 made, shall be irrevocable without the consent of the Sec-
24 retary of the Treasury.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to plan years beginning on or after
3 the date of enactment of this Act.

4 **SEC. 508. SECTION 457 INAPPLICABLE TO CERTAIN MIRROR**
5 **PLANS.**

6 (a) IN GENERAL.—Subsection (e) of section 457 (re-
7 lating to deferred compensation plans of State and local
8 governments and tax-exempt organizations) is amended by
9 adding at the end the following new paragraph:

10 “(17) This section shall not apply to a plan,
11 program, or arrangement maintained solely for the
12 purposes of providing retirement benefits for em-
13 ployees in excess of the limitations imposed by sec-
14 tions 401(a)(17) or 415.”.

15 (b) CERTAIN DEFERRED COMPENSATION NOT
16 TAKEN INTO ACCOUNT.—Subsection (c) of section 457
17 (relating to individuals who are participants in more than
18 1 plan) (as amended by section 108(a)) is amended by
19 adding at the end the following: “This section shall be ap-
20 plied without regard to a plan, program, or arrangement
21 described in subsection (e)(17).”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to years beginning after December
24 31, 1999.

1 **SEC. 509. SUBSTANTIAL OWNER BENEFITS IN TERMINATED**
2 **PLANS.**

3 (a) MODIFICATION OF PHASE-IN OF GUARANTEE.—
4 Section 4022(b)(5) of the Employee Retirement Income
5 Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended
6 to read as follows:

7 “(5)(A) For purposes of this paragraph, the term
8 ‘majority owner’ means an individual who, at any time
9 during the 60-month period ending on the date the deter-
10 mination is being made—

11 “(i) owns the entire interest in an unincor-
12 porated trade or business,

13 “(ii) in the case of a partnership, is a partner
14 who owns, directly or indirectly, 50 percent or more
15 of either the capital interest or the profits interest
16 in such partnership, or

17 “(iii) in the case of a corporation, owns, directly
18 or indirectly, 50 percent or more in value of either
19 the voting stock of that corporation or all the stock
20 of that corporation.

21 For purposes of clause (iii), the constructive ownership
22 rules of section 1563(e) of the Internal Revenue Code of
23 1986 shall apply (determined without regard to section
24 1563(e)(3)(C)).

1 “(B) In the case of a participant who is a majority
2 owner, the amount of benefits guaranteed under this sec-
3 tion shall equal the product of—

4 “(i) a fraction (not to exceed 1) the numerator
5 of which is the number of years from the later of the
6 effective date or the adoption date of the plan to the
7 termination date, and the denominator of which is
8 10, and

9 “(ii) the amount of benefits that would be guar-
10 anteed under this section if the participant were not
11 a majority owner.”.

12 (b) MODIFICATION OF ALLOCATION OF ASSETS.—

13 (1) Section 4044(a)(4)(B) of the Employee Re-
14 tirement Income Security Act of 1974 (29 U.S.C.
15 1344(a)(4)(B)) is amended by striking “section
16 4022(b)(5)” and inserting “section 4022(b)(5)(B)”.

17 (2) Section 4044(b) of such Act (29 U.S.C.
18 1344(b)) is amended—

19 (A) by striking “(5)” in paragraph (2) and
20 inserting “(4), (5),” and

21 (B) by redesignating paragraphs (3)
22 through (6) as paragraphs (4) through (7), re-
23 spectively, and by inserting after paragraph (2)
24 the following:

1 “(3) If assets available for allocation under
2 paragraph (4) of subsection (a) are insufficient to
3 satisfy in full the benefits of all individuals who are
4 described in that paragraph, the assets shall be allo-
5 cated first to benefits described in subparagraph (A)
6 of that paragraph. Any remaining assets shall then
7 be allocated to benefits described in subparagraph
8 (B) of that paragraph. If assets allocated to such
9 subparagraph (B) are insufficient to satisfy in full
10 the benefits described in that subparagraph, the as-
11 sets shall be allocated pro rata among individuals on
12 the basis of the present value (as of the termination
13 date) of their respective benefits described in that
14 subparagraph.”.

15 (c) CONFORMING AMENDMENTS.—

16 (1) Section 4021 of the Employee Retirement
17 Income Security Act of 1974 (29 U.S.C. 1321) is
18 amended—

19 (A) in subsection (b)(9), by striking “as
20 defined in section 4022(b)(6)”, and

21 (B) by adding at the end the following:

22 “(d) For purposes of subsection (b)(9), the term
23 “substantial owner” means an individual who, at any time
24 during the 60-month period ending on the date the deter-
25 mination is being made—

1 “(1) owns the entire interest in an unincor-
2 porated trade or business,

3 “(2) in the case of a partnership, is a partner
4 who owns, directly or indirectly, more than 10 per-
5 cent of either the capital interest or the profits inter-
6 est in such partnership, or

7 “(3) in the case of a corporation, owns, directly
8 or indirectly, more than 10 percent in value of either
9 the voting stock of that corporation or all the stock
10 of that corporation.

11 For purposes of paragraph (3), the constructive ownership
12 rules of section 1563(e) of the Internal Revenue Code of
13 1986 shall apply (determined without regard to section
14 1563(e)(3)(C)).”.

15 (2) Section 4043(c)(7) of such Act (29 U.S.C.
16 1343(c)(7)) is amended by striking “section 4022(b)(6)”
17 and inserting “section 4021(d)”.

18 (d) EFFECTIVE DATES.—

19 (1) IN GENERAL.—Except as provided in para-
20 graph (2), the amendments made by this section
21 shall apply to plan terminations—

22 (A) under section 4041(c) of the Employee
23 Retirement Income Security Act of 1974 (29
24 U.S.C. 1341(c)) with respect to which notices
25 of intent to terminate are provided under sec-

1 tion 4041(a)(2) of such Act (29 U.S.C.
2 1341(a)(2)) on or after the date of enactment
3 of this Act, and

4 (B) under section 4042 of such Act (29
5 U.S.C. 1342) with respect to which proceedings
6 are instituted by the corporation on or after
7 such date.

8 (2) CONFORMING AMENDMENTS.—The amend-
9 ments made by subsection (c) shall take effect on
10 the date of enactment of this Act.

11 **SEC. 510. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT**
12 **LOSS OF DIVIDEND DEDUCTION.**

13 (a) IN GENERAL.—Section 404(k)(2)(A) (defining
14 applicable dividends) is amended by striking “or” at the
15 end of clause (ii), by redesignating clause (iii) as clause
16 (iv), and by inserting after clause (ii) the following new
17 clause:

18 “(iii) is, at the election of such par-
19 ticipants or their beneficiaries—

20 “(I) payable as provided in clause
21 (i) or (ii), or

22 “(II) paid to the plan and rein-
23 vested in qualifying employer securi-
24 ties, or”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1999.

4 **SEC. 511. MODIFICATION OF 403(b) EXCLUSION ALLOWANCE**
5 **TO CONFORM TO 415 MODIFICATION.**

6 The Secretary of the Treasury shall modify the regu-
7 lations regarding the exclusion allowance under section
8 403(b)(2) of the Internal Revenue Code of 1986 to render
9 void the requirement that contributions to a defined bene-
10 fit pension plan be treated as previously excluded amounts
11 for purposes of the exclusion allowance. For taxable years
12 beginning after December 31, 1999, such regulations shall
13 be applied as if such requirement were void.

14 **SEC. 512. TREATMENT OF MULTIEMPLOYER PLANS UNDER**
15 **SECTION 415.**

16 (a) COMPENSATION LIMIT.—Paragraph (11) of sec-
17 tion 415(b) (relating to limitation for defined benefit
18 plans) is amended to read as follows:

19 “(11) SPECIAL LIMITATION RULE FOR GOVERN-
20 MENTAL AND MULTIEMPLOYER PLANS.—In the case
21 of a governmental plan (as defined in section
22 414(d)) or a multiemployer plan (as defined in sec-
23 tion 414(f)), subparagraph (B) of paragraph (1)
24 shall not apply.”.

1 (b) EXEMPTION FOR SURVIVOR AND DISABILITY
2 BENEFITS.—Subparagraph (I) of section 415(b)(2) (relat-
3 ing to limitation for defined benefit plans) is amended—

4 (1) by inserting “or a multiemployer plan (as
5 defined in section 414(f))” after “section 414(d))”
6 in clause (i),

7 (2) by inserting “or multiemployer plan” after
8 “governmental plan” in clause (ii), and

9 (3) by inserting “AND MULTIEMPLOYER” after
10 “GOVERNMENTAL” in the heading.

11 (c) COMBINING AND AGGREGATION OF PLANS.—

12 (1) COMBINING OF PLANS.—Subsection (f) of
13 section 415 (relating to combining of plans) is
14 amended by adding at the end the following:

15 “(3) EXCEPTION FOR MULTIEMPLOYER
16 PLANS.—Notwithstanding paragraph (1) and sub-
17 section (g), a multiemployer plan (as defined in sec-
18 tion 414(f)) shall not be combined or aggregated
19 with any other plan maintained by an employer for
20 purposes of applying the limitations established in
21 this section.”.

22 (2) CONFORMING AMENDMENT FOR AGGREGA-
23 TION OF PLANS.—Subsection (g) of section 415 (re-
24 lating to aggregation of plans) is amended by strik-

1 ing “The Secretary” and inserting “Except as pro-
2 vided in subsection (f)(3), the Secretary”.

3 (d) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to years beginning after December
5 31, 1999.

6 **SEC. 513. ELIMINATION OF PARTIAL TERMINATION RULES**
7 **FOR MULTIEMPLOYER PLANS.**

8 (a) PARTIAL TERMINATION RULES FOR MULTIEM-
9 PLOYER PLANS.—Section 411(d)(3) (relating to termi-
10 nation or partial termination; discontinuance of contribu-
11 tions) is amended by adding at the end the following new
12 sentence: “This paragraph shall not apply in the case of
13 a partial termination of a multiemployer plan.”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 this section shall apply to partial terminations beginning
16 after December 31, 1999.

17 **SEC. 514. NOTICE AND CONSENT PERIOD REGARDING DIS-**
18 **TRIBUTIONS.**

19 (a) EXPANSION OF PERIOD.—

20 (1) IN GENERAL.—

21 (A) Subparagraph (A) of section 417(a)(6)
22 is amended by striking “90-day” and inserting
23 “one-year”.

24 (B) Subparagraph (A) of section 205(c)(7)
25 of the Employee Retirement Income Security

1 Act of 1974 (29 U.S.C. 1055) is amended by
2 striking “90-day” and inserting “one-year”.

3 (2) MODIFICATION OF REGULATIONS.—The
4 Secretary of the Treasury shall modify the regula-
5 tions under sections 402(f), 411(a)(11), and 417 of
6 the Internal Revenue Code of 1986 to substitute
7 “one year” for “90 days” each place it appears in
8 Treasury Regulations sections 1.402(f)–1, 1.411(a)–
9 11(c), and 1.417(e)–1(b).

10 (3) EFFECTIVE DATE.—The amendments made
11 by paragraph (1) and the modifications required by
12 paragraph (2) shall apply to years beginning after
13 December 31, 1999.

14 (b) CONSENT REGULATION INAPPLICABLE TO CER-
15 TAIN DISTRIBUTIONS.—

16 (1) IN GENERAL.—The Secretary of the Treas-
17 ury shall modify the regulations under section
18 411(a)(11) of the Internal Revenue Code of 1986 to
19 provide that the description of a participant’s right,
20 if any, to defer receipt of a distribution shall also de-
21 scribe the consequences of failing to defer such re-
22 ceipt.

23 (2) EFFECTIVE DATE.—The modifications re-
24 quired by paragraph (1) shall apply to years begin-
25 ning after December 31, 1999.

1 **SEC. 515. CONFORMING AMENDMENTS RELATING TO ELEC-**
2 **TION TO RECEIVE TAXABLE CASH COM-**
3 **PENSATION IN LIEU OF NONTAXABLE PARK-**
4 **ING BENEFITS.**

5 (a) IN GENERAL.—

6 (1) Clause (ii) of section 415(c)(3)(D) and sub-
7 paragraph (B) of section 403(b)(3) are each amend-
8 ed by striking “section 125 or” and inserting “sec-
9 tion 125, 132(f)(4), or”.

10 (2) Paragraph (2) of section 414(s) is amended
11 by striking “section 125, 402(e)(3)” and inserting
12 “section 125, 132(f)(4), 402(e)(3)”.

13 (b) EFFECTIVE DATE.—The amendments made by
14 subsection (a) shall take effect as if included in the
15 amendment made by section 1072 of the Taxpayer Relief
16 Act of 1997.

17 **SEC. 516. EXTENSION TO INTERNATIONAL ORGANIZATIONS**
18 **OF MORATORIUM ON APPLICATION OF CER-**
19 **TAIN NONDISCRIMINATION RULES APPLICA-**
20 **BLE TO STATE AND LOCAL PLANS.**

21 (a) IN GENERAL.—Subparagraph (G) of section
22 401(a)(5), subparagraph (H) of section 401(a)(26), sub-
23 paragraph (G) of section 401(k)(3), and paragraph (2) of
24 section 1505(d) of the Taxpayer Relief Act of 1997 are
25 each amended by inserting “or by an international organi-

1 zation which is described in section 414(d)” after “or in-
2 strumentality thereof”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) The headings for subparagraph (G) of sec-
5 tion 401(a)(5) and subparagraph (H) of section
6 401(a)(26) are each amended by inserting “AND
7 INTERNATIONAL ORGANIZATION” after “GOVERN-
8 MENTAL”.

9 (2) Subparagraph (G) of section 401(k)(3) is
10 amended by inserting “STATE AND LOCAL GOVERN-
11 MENTAL AND INTERNATIONAL ORGANIZATION
12 PLANS.—” after “(G)”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall take effect as if included in the amend-
15 ment made by section 1505 of the Taxpayer Relief Act
16 of 1997.

17 **SEC. 517. EMPLOYEES OF TAX-EXEMPT ENTITIES.**

18 (a) IN GENERAL.—The Secretary of the Treasury
19 shall modify Treasury Regulations section 1.410(b)–6(g)
20 to provide that employees of an organization described in
21 section 403(b)(1)(A)(i) of the Internal Revenue Code of
22 1986 who are eligible to make contributions under section
23 403(b) pursuant to a salary reduction agreement may be
24 treated as excludable with respect to a plan under section
25 401(k), or section 401(m) of such Code that is provided

1 under the same general arrangement as a plan under such
2 section 401(k), if—

3 (1) no employee of an organization described in
4 section 403(b)(1)(A)(i) of such Code is eligible to
5 participate in such section 401(k) plan or section
6 401(m) plan, and

7 (2) 95 percent of the employees who are not
8 employees of an organization described in section
9 403(b)(1)(A)(i) of such Code are eligible to partici-
10 pate in such section 401(k) plan or section 401(m)
11 plan.

12 (b) EFFECTIVE DATE.—The modification required by
13 subsection (a) shall apply as of the same date set forth
14 in section 1426(b) of the Small Business Job Protection
15 Act of 1996.

16 **SEC. 518. PERMISSIVE AGGREGATION OF COLLECTIVE BAR-**
17 **GAINING UNITS.**

18 (a) IN GENERAL.—Paragraph (3) of section 410(b)
19 is amended by inserting the following immediately before
20 the last sentence thereof: “Solely for purposes of applying
21 this subsection to employees who are not described in sub-
22 paragraph (A), an employer may elect to have subpara-
23 graph (A) not apply to one or more units of employees
24 who are described in subparagraph (A).”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to years beginning after December
3 31, 1999.

4 **SEC. 519. REPEAL OF TRANSITION RULE RELATING TO CER-**
5 **TAIN HIGHLY COMPENSATED EMPLOYEES.**

6 (a) IN GENERAL.—Paragraph (4) of section
7 1114(c)(4) of the Tax Reform Act of 1986 is hereby re-
8 pealed.

9 (b) EFFECTIVE DATE.—The repeal made by sub-
10 section (a) shall apply to plan years beginning on or after
11 January 1, 2000.

12 **SEC. 520. CLARIFICATION OF TREATMENT OF EMPLOYER-**
13 **PROVIDED RETIREMENT ADVICE.**

14 (a) IN GENERAL.—Section 132(e) (defining de mini-
15 mis fringe) is amended by adding at the end the following:

16 “(3) TREATMENT OF CERTAIN RETIREMENT
17 PLANNING SERVICES.—The provision of retirement
18 planning services by an employer to employees, to
19 the extent not described in subsection (d), shall be
20 treated as a de minimis fringe.”.

21 (b) NO CONSTRUCTIVE RECEIPT.—Section 132 is
22 amended by redesignating subsection (m) as subsection
23 (n) and by inserting after subsection (l) the following:

24 “(m) RETIREMENT PLANNING.—

1 “(1) IN GENERAL.—No amount shall be in-
2 cluded in the gross income of an employee solely be-
3 cause the employee may choose between any retire-
4 ment planning fringe and compensation which would
5 otherwise be includible in the gross income of such
6 employee.

7 “(2) NONDISCRIMINATION REQUIREMENT.—
8 Paragraph (1) shall apply to a highly compensated
9 employee only if the choice described in such para-
10 graph is available on substantially the same terms to
11 each member of a group of employees which is de-
12 fined under a reasonable classification set up by the
13 employer which does not discriminate in favor of
14 highly compensated employees.

15 “(3) RETIREMENT PLANNING FRINGE.—For
16 purposes of this subsection, the term ‘retirement
17 planning fringe’ means any retirement planning
18 services provided by an employer to an employee
19 which are not included in the gross income of the
20 employee by reason of subsection (d) or (e).”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to years beginning after December
23 31, 1999.

1 **SEC. 521. ANNUAL REPORT DISSEMINATION.**

2 (a) IN GENERAL.—Section 104(b)(3) of the Em-
3 ployee Retirement Income Security Act of 1974 (29
4 U.S.C. 1024(b)(3)) is amended by striking “shall furnish”
5 and inserting “shall make available for examination (and,
6 upon request, shall furnish)”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to reports for years beginning after
9 December 31, 1998.

10 **SEC. 522. EXCESS BENEFIT PLANS.**

11 (a) IN GENERAL.—Section 3(36) of the Employee
12 Retirement Income Security Act of 1974 (29 U.S.C.
13 1002(36)) is amended to read as follows:

14 “(36) The term ‘excess benefit plan’ means a
15 plan, without regard to whether such plan is funded,
16 maintained by an employer solely for the purpose of
17 providing benefits to employees in excess of the limi-
18 tations imposed by 1 or more of sections 401(a)(17),
19 401(k), 401(m), 402(g), 403(b), 408(k), 408(p), or
20 415 of the Internal Revenue Code of 1986 or any
21 other limitation on contributions or benefits in such
22 Code on plans to which any of such sections apply.
23 To the extent that a separable part of a plan (as de-
24 termined by the Secretary of Labor) maintained by
25 an employer is maintained for such purpose, that

1 part shall be treated as a separate plan which is an
2 excess benefit plan.”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to years beginning after December
5 31, 1999.

6 **SEC. 523. BENEFIT SUSPENSION NOTICE.**

7 (a) MODIFICATION OF REGULATION.—The Secretary
8 of Labor shall modify the regulation under section
9 203(a)(3)(B) of the Employee Retirement Income Secu-
10 rity Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide
11 that the notification required by such regulation—

12 (1) may be included in the summary plan de-
13 scription for the plan furnished in accordance with
14 section 104(b) of such Act (29 U.S.C. 1024(b)),
15 rather than in a separate notice, and

16 (2) need not include a copy of the relevant plan
17 provisions.

18 (b) EFFECTIVE DATE.—The modification made
19 under subsection (a) shall apply to plan years beginning
20 after December 31, 1999.

21 **SEC. 524. PROVISIONS RELATING TO PLAN AMENDMENTS.**

22 (a) IN GENERAL.—If this section applies to any plan
23 or contract amendment—

24 (1) such plan or contract shall be treated as
25 being operated in accordance with the terms of the

1 plan during the period described in subsection
2 (b)(2)(A), and

3 (2) such plan shall not fail to meet the require-
4 ments of section 411(d)(6) of the Internal Revenue
5 Code of 1986 or section 204(g) of the Employee Re-
6 tirement Income Security Act of 1974 (29 U.S.C.
7 1054(g)) by reason of such amendment.

8 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

9 (1) IN GENERAL.—This section shall apply to
10 any amendment to any plan or annuity contract
11 which is made—

12 (A) pursuant to any amendment made by
13 this Act, or pursuant to any regulation issued
14 under this Act, and

15 (B) on or before the last day of the first
16 plan year beginning on or after January 1,
17 2002.

18 In the case of a government plan (as defined in sec-
19 tion 414(d) of the Internal Revenue Code of 1986
20 and section 3(32) of the Employee Retirement In-
21 come Security Act of 1974), this paragraph shall be
22 applied by substituting “2004” for “2002”.

23 (2) CONDITIONS.—This section shall not apply
24 to any amendment unless—

25 (A) during the period—

1 (i) beginning on the date the legisla-
2 tive or regulatory amendment described in
3 paragraph (1)(A) takes effect (or in the
4 case of a plan or contract amendment not
5 required by such legislative or regulatory
6 amendment, the effective date specified by
7 the plan), and

8 (ii) ending on the date described in
9 paragraph (1)(B) (or, if earlier, the date
10 the plan or contract amendment is adopt-
11 ed),

12 the plan or contract is operated as if such plan
13 or contract amendment were in effect, and

14 (B) such plan or contract amendment ap-
15 plies retroactively for such period.

16 **SEC. 525. REPORTING SIMPLIFICATION.**

17 (a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
18 OWNERS AND THEIR SPOUSES.—

19 (1) IN GENERAL.—The Secretary of the Treas-
20 ury shall modify the requirements for filing annual
21 returns with respect to one-participant retirement
22 plans to ensure that such plans with assets of
23 \$500,000 or less as of the close of the plan year
24 need not file a return for that year.

1 (2) ONE-PARTICIPANT RETIREMENT PLAN DE-
2 FINED.—For purposes of this subsection, the term
3 “one-participant retirement plan” means a retire-
4 ment plan that—

5 (A) on the first day of the plan year—

6 (i) covered only the employer (and the
7 employer’s spouse) and the employer
8 owned the entire business (whether or not
9 incorporated), or

10 (ii) covered only one or more partners
11 (and their spouses) in a business partner-
12 ship (including partners in an S or C cor-
13 poration),

14 (B) meets the minimum coverage require-
15 ments of section 410(b) of the Internal Revenue
16 Code of 1986 without being combined with any
17 other plan of the business that covers the em-
18 ployees of the business,

19 (C) does not provide benefits to anyone ex-
20 cept the employer (and the employer’s spouse)
21 or the partners (and their spouses),

22 (D) does not cover a business that is a
23 member of an affiliated service group, a con-
24 trolled group of corporations, or a group of
25 businesses under common control, and

1 (E) does not cover a business that leases
2 employees.

3 (3) OTHER DEFINITIONS.—Terms used in para-
4 graph (2) which are also used in section 414 of the
5 Internal Revenue Code of 1986 shall have the re-
6 spective meanings given such terms by such section.

7 (b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
8 PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case
9 of a retirement plan which covers less than 25 employees
10 on the 1st day of the plan year and meets the require-
11 ments described in subparagraphs (B), (D), and (E) of
12 subsection (a)(2), the Secretary of the Treasury shall pro-
13 vide for the filing of a simplified annual return that is
14 substantially similar to the annual return required to be
15 filed by a one-participant retirement plan.

16 **SEC. 526. MODEL PLANS FOR SMALL BUSINESSES.**

17 (a) IN GENERAL.—Not later than December 31,
18 2000, the Secretary of the Treasury is directed to issue
19 at least one model defined contribution plan and at least
20 one model defined benefit plan that fit the needs of small
21 businesses and that shall be treated as meeting the re-
22 quirements of section 401(a) of the Internal Revenue Code
23 of 1986 with respect to the form of the plan. To the extent
24 that the requirements of section 401(a) of such Code are
25 modified after the issuance of such plans, the Secretary

1 of the Treasury shall, in a timely manner, issue model
2 amendments that, if adopted in a timely manner by an
3 employer that has a model plan in effect, shall cause such
4 model plan to be treated as meeting the requirements of
5 section 401(a) of such Code, as modified, with respect to
6 the form of the plan.

7 (b) MASTER AND PROTOTYPE PLAN ALTER-
8 NATIVE.—The Secretary of the Treasury may, in its dis-
9 cretion, satisfy the requirements of subsection (a) through
10 the enhancement and simplification of the Secretary's pro-
11 grams for master and prototype plans in such a manner
12 as to achieve the purposes of subsection (a).